YUKON DEVELOPMENT CORPORATION

Annual Report

2015

YUKON DEVELOPMENT CORPORATION ANNUAL REPORT 2015

CONTENTS

Message from the Chair
2

Message from the President and Chief Executive Officer
3

Organizational Overview
4

Board of Directors
5

Year in Review
6

Consolidated Financial Statements
8 – 60

Message from the Chair

In 2015, Yukon Development Corporation completed Phase 1 of the Next Generation Hydro Project as per the Hydro Power Planning Directive. In order to achieve this important milestone, three workshops, a First Nation Energy Forum and a number of community visits were held, and members of the Board of Directors actively participated in all of these events.

Work is ongoing for the Stewart Keno Transmission Line which will upgrade the line from 69 kV to 138kV in order to bring improved reliability for electrical customers and ensure sufficient capacity for future economic growth.

The Board and YDC staff continue to work to strengthen the governance structure for the Board. The Governance Manual for the Board of Directors has been updated to reflect today's requirements with respect to governance and due diligence for the Corporation. The Corporation is moving forward on a business plan that will be updated on an annual basis.

We were pleased to welcome Justin Ferbey as the new President and Chief Executive Officer appointed to the Yukon Development Corporation in October 2015.

YDC will continue to work with our subsidiary, Yukon Energy Corporation, to ensure the production of cost effective and reliable energy to meet Yukon's needs for now and the future.

Joanne Fairlie
Chair

Message from the President & Chief Executive Officer

Under the direction of the Board, Yukon Development Corporation prepared this 2015 Annual Report to present a balanced and accurate summary of the Corporation's performance for the calendar and fiscal year that ended December 31, 2015.

On joining YDC this past August, I became part of a team that had made significant achievements on its goals for the year. In 2015, YDC reached major milestones with respect to Next Generation Hydro, made important progress on improving its governance and accountability, and set a clear path forward by developing a new five-year Strategic Plan.

We have now completed our initial due diligence with Next Generation Hydro, including by identifying six potential sites for further exploration. To further this important energy planning initiative, we have sought partnerships with the First Nations who have these projects in their Traditional Territory.

We continued to improve our governance and accountability in 2015. One of our key successes in this area was development a five-year Strategic Plan that will guide us to 2020. We also improved our Governance Manual, and made progress on updating our Bylaws. Through our work with Next Generation Hydro we also recognised the need for and made initial efforts on developing a comprehensive energy communication strategy.

We are excited by the road ahead for our organization, and our new Strategic Plan provides a clear articulation of our challenges and opportunities. We fulfill an important role in developing Yukon's economy, and ensuring Yukon organizations and individuals have access to cost-effective energy and we look forward to playing our part.

Sincerely,
Justin Ferbey, President & CEO

ORGANIZATIONAL OVERVIEW

Yukon Development Corporation (YDC) is a Territorial Corporation created in 1986 by the *Yukon Development Corporation Act*. We are governed by a Board of Directors appointed by the Yukon government and have a legislative mandate to participate with the private sector in the economic development of Yukon.

In particular, the Act mandates the corporation to:

- Develop and promote the development of Yukon resources on an economic and efficient basis;
- Promote employment and business opportunities for territorial residents;
- Assure a continuing and adequate supply of energy in a manner consistent with sustainable development; and
- Implement development policy directives issued to it by the Yukon Cabinet.

Order-in-Council 1993/107 restricted the corporation's role to energy-related activities designed to promote the economic development of Yukon, and to:

- Assure a continuing and adequate supply of energy;
- Alleviate the effects of any energy shortage that may occur; and
- Promote the establishment, development and operation within Yukon of industries or undertakings that are by their nature energy-dependent through the provision of cost-effective energy or energy-related infrastructure.

BOARD OF DIRECTORS

Joanne Fairlie (Chair) • John Wierda • Dan Reams
Michael Lauer • Paul Birckel (until April 2015)
Jackie Bazett • JoAnne Harach • Edmund Schultz
William LeBarge • Collin Young

Board of Directors' Appointments

The Board of the Yukon Development Corporation is appointed by the Yukon government.

YDC AUDIT COMMITTEE

Collin Young (Chair)
Joanne Fairlie
Dan Reams
John Wierda

YDC GOVERNANCE COMMITTEE

Jackie Bazett (Chair)
Joanne Fairlie
JoAnne Harach
Michael Lauer

SENIOR MANAGEMENT AND OFFICERS

Greg Komaromi, President and Chief Executive Officer (Retired May 2015)
George Ross, President and Chief Executive Officer (May 2015 to October 2015)
Justin Ferbey, President and Chief Executive Officer (October 2015 to Present)
Lisa Jarvis, Corporate Secretary
Blaine Anderson, Chief Financial Officer

Next Generation Hydro

The corporation continued to implement the Hydropower Planning Directive (OIC 2013/201) through work on the Next Generation Hydro project. Next Generation Hydro is about ensuring we have enough renewable and affordable electricity for future generations. The outcome of the initial stages of this project has been the elimination of all but six of the original two hundred potential hydro projects. The work behind this narrowing of sites was summed up in a Viability Study released in March of 2016.

YDC understands that ultimately a new hydro project must balance technical, environmental, economic and social needs. As such, YDC is seeking partnerships with all potentially impacted First Nations before any additional work is done on the remaining sites. These partnerships would allow YDC to ground-truth projects through installation of stream gauges, weather stations and the undertaking of heritage studies, and other environmental and wildlife impact studies.

Keno-Stewart Transmission Line

Background work to advance the reconstruction and upgrading of the Keno to Stewart Crossing Transmission Line was initiated in the fall of 2014. Yukon government committed up to $5.3 million for the planning and permitting processes necessary to advance the project to a "shovel ready" stage. Reconstruction of this strategic infrastructure will ensure that the reliability of the line is maintained and that there is sufficient capacity for regional economic development.

In 2015, Requests for Proposals were issued by Yukon Development Corporation for the environmental/permitting activities and preliminary engineering for the substations and transmission line. Both RFP's were awarded and contracts between the successful companies and Yukon Energy Corporation were signed. Public engagement work throughout the spring and summer included meetings with the First Nation of Na-Cho Nyäk Dun and Selkirk First Nation, public meetings in Whitehorse, Mayo and Keno City and two rounds of stakeholder engagement. Preliminary engineering, including routing for the line was also completed with changes incorporated as a result of public and stakeholder feedback.

Yukon Energy filed the project application with the Executive Council of the Yukon Environmental Assessment and Review Board in November and the application was deemed complete on December 31, 2015.

Interim Electrical Rebate

2015 was the fifth full year of the Interim Electrical Rebate which provides residential electrical customers with a rebate of up to $26.62 each month based on the first 1,000 kilowatt hours they use. In 2015, the Yukon government, through YDC, provided $3,565,000.00 to the program.

YUKON DEVELOPMENT CORPORATION

Consolidated Financial Statements

December 31st, 2015

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Yukon Development Corporation are the responsibility of management, and have been prepared in accordance with International Financial Reporting Standards consistently applied and appropriate in the circumstances. The preparation of financial statements necessarily involves the use of estimates and approximations, which have been made using careful judgement. In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized in the consolidated financial statements.

Management maintains systems of internal controls designed to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. These systems include formal written policies and procedures, the careful selection and training of qualified personnel, and an organizational structure that provides for the appropriate delegation of authority and segregation of responsibilities.

The consolidated financial statements have been examined by an independent external auditor. The external auditor's responsibility is to express an opinion on whether the consolidated financial statements, in all material respects, fairly present the Corporation's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards. In addition, the external auditor reports on whether proper books of account have been kept by the Corporation, the consolidated financial statements are in agreement therewith, and the transactions coming to their notice have, in all significant respects, been in accordance with specified authorities. The Independent Auditor's Report, which follows, outlines the scope of this examination and the auditor's opinion.

The Corporation's Board of Directors, through its Audit Committee, oversees management's responsibilities for financial reporting. The Audit Committee meets with management and the independent external auditor to discuss auditing and financial matters, to gain assurance that management is carrying out its responsibilities and to review and approve the consolidated financial statements. The auditor has full and free access to the Audit Committee, with and without the presence of management.

Justin Ferbey
President and Chief Executive Officer

Blaine Anderson, C.A.
Chief Financial Officer

Whitehorse, Yukon
June 8, 2016

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Yukon Development Corporation

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Yukon Development Corporation, which comprise the consolidated statements of financial position as at 31 December 2015, 31 December 2014 and 1 January 2014, and the consolidated statements of operations and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended 31 December 2015 and 31 December 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Yukon Development Corporation as at 31 December 2015, 31 December 2014 and 1 January 2014, and its financial performance and its cash flows for the years ended 31 December 2015 and 31 December 2014 in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the *Yukon Development Corporation Act*, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied, after giving retrospective effect to the adoption of the new standards as explained in note 28 to the consolidated financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Yukon Development Corporation and its wholly-owned subsidiary and the consolidated financial statements are in agreement therewith. In addition, the transactions of the Yukon Development Corporation and its wholly-owned subsidiary that have come to my notice during my audits of the consolidated financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* of Yukon and regulations, the *Yukon Development Corporation Act* and regulations, the *Public Utilities Act* and regulations, the *Business Corporations Act* and Regulations, and the articles and by-laws of the Yukon Development Corporation and its wholly-owned subsidiary.

Guy LeGras, CPA, CA
Principal
for the Auditor General of Canada

8 June 2016
Edmonton, Canada

Yukon Development Corporation

Consolidated Financial Statements

December 31, 2015 **Page**

Management's Responsibility for Financial Reporting	10
Independent Auditor's Report	10-11
Consolidated Statement of Financial Position	13
Consolidated Statement of Operations and Other Comprehensive Income	14
Consolidated Statement of Changes in Equity	15
Consolidated Statement of Cash Flows	16
Notes to Consolidated Financial Statements	17-60

Yukon Development Corporation

Consolidated Statement of Financial Position
(in thousands of Canadian dollars)

As at	December 31, 2015	December 31, 2014	January 1, 2014
Assets			
Current			
Cash (note 4)	$ 13,634	$ 3,962	$ 8,858
Accounts receivable (note 5)	7,166	8,010	8,275
Inventories (note 6)	3,614	3,065	3,223
Derivative related asset (note 25)	-	-	120
Prepaid expenses	828	719	683
Current portion of lease receivable (note 7)	45	-	-
	25,287	15,756	21,159
Non-current			
Finance lease receivable (note 7)	117	162	162
Property, plant and equipment (note 8)	437,492	425,449	396,955
Intangible assets (note 9)	6,992	7,248	7,683
Total assets	**469,888**	448,615	425,959
Regulatory deferral account debit balances (note 10)	21,241	22,927	20,186
Total assets and regulatory deferral account debit balances	**$ 491,129**	$ 471,542	$ 446,145
Liabilities			
Current			
Bank indebtedness (note 11)	$ -	$ 1,331	$ -
Accounts payable and accrued liabilities (note 12)	7,563	15,671	12,337
Construction financing (note 13)	39,200	28,000	-
Derivative related liability (note 25)	660	400	-
Current portion of long-term debt (note 14)	5,287	4,578	4,521
	52,710	49,980	16,858
Non-current			
Long-term construction financing (note 13)	-	-	12,000
Post-employment benefits (note 15)	5,436	6,018	4,668
Contributions in aid of construction (note 16)	98,054	99,908	101,894
Decommissioning fund (note 17)	2,612	2,586	2,553
Long-term debt (note 14)	138,163	122,428	123,510
Total liabilities	**296,975**	280,920	261,483
Equity			
Contributed capital	41,501	41,501	41,501
Retained earnings	131,605	129,125	124,462
Total equity	**173,106**	170,626	165,963
Total liabilities and equity	470,081	451,546	427,446
Regulatory deferral account credit balances (note 10)	21,048	19,996	18,699
Total liabilities, equity and regulatory deferral account credit balances	**$ 491,129**	$ 471,542	$ 446,145

Commitments and Contingencies (notes 22 and 23)
The accompanying notes are an integral part of the consolidated financial statements.

Approved by the Board:

_____, Chair _____, Director

Yukon Development Corporation

Consolidated Statement of Operations and Other Comprehensive Income
(in thousands of Canadian dollars)

For the year ended December 31,	2015	2014
Revenues		
Sales of power (note 18)	$ 40,674	$ 40,784
Yukon Government contributions (note 1)	10,092	5,844
Other	396	407
	51,162	47,035
Operating expenses		
Operations and maintenance (note 19)	17,376	15,185
Administration (note 20)	12,271	11,589
Depreciation and amortization (notes 8 and 9)	10,304	9,428
	39,951	36,202
Income from operations	**11,211**	10,833
Other income		
Allowance for funds used during construction	710	1,183
Amortization of contributions in aid of construction (note 16)	2,593	2,572
Interest income	43	51
	3,346	3,806
Other expenses		
Interest on borrowings	6,500	6,317
Interim electrical rebate program subsidies (note 1)	3,090	3,070
Unrealized loss on interest rate swaps (note 25)	261	520
	9,851	9,907
Net income for the year before net movement in regulatory deferral account balances	**4,706**	4,732
Net movement in regulatory deferral account balances related to net income (note 10(d))	**(2,738)**	1,443
Net income for the year and net movement in regulatory deferral account balances	**1,968**	6,175
Other comprehensive income		
Remeasurement of defined benefit pension plans (note 15)	512	(1,512)
Total comprehensive income for the year	$ **2,480**	$ 4,663

The accompanying notes are an integral part of the consolidated financial statements.

Yukon Development Corporation

Consolidated Statement of Changes in Equity
(in thousands of Canadian dollars)

	Contributed Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2014	$ 41,501	$ 124,462	$ -	$ 165,963
Net income for the year and net movement in regulatory deferral account balances	-	6,175	-	6,175
Other comprehensive income	-	-	(1,512)	(1,512)
Transfer of remeasurement of defined benefit pension plans to retained earnings	-	(1,512)	1,512	-
Balance at December 31, 2014	**41,501**	**129,125**	**-**	**170,626**
Net income for the year and net movement in regulatory deferral account balances	-	1,968	-	1,968
Other comprehensive income	-	-	512	512
Transfer of remeasurement of defined benefit pension plans to retained earnings	-	512	(512)	-
Balance at December 31, 2015	**$ 41,501**	**$ 131,605**	**$ -**	**$ 173,106**

The accompanying notes are an integral part of the consolidated financial statements.

Yukon Development Corporation

Consolidated Statement of Cash Flows
(in thousands of Canadian dollars)

For the year ended December 31,	2015	2014
Operating activities		
Cash receipts from customers	$ 41,546	$ 41,003
Cash receipts from Yukon Government	10,503	5,844
Cash receipts from contributions in aid of construction	740	576
Cash paid to suppliers	(21,805)	(15,766)
Cash paid to employees	(12,087)	(11,076)
Interest paid	(6,853)	(6,331)
Interest received	69	84
Cash provided by operating activities	**12,113**	14,334
Financing activities		
Repayment of long-term debt	(4,540)	(4,525)
Proceeds from long-term debt	20,984	3,500
Receipt of construction financing	11,200	16,000
Cash provided by financing activities	**27,644**	14,975
Investing activities		
Additions to property, plant and equipment	(28,047)	(34,993)
Additions to intangible assets	(707)	(543)
Cash used in investing activities	**(28,754)**	(35,536)
Net increase (decrease) in cash	11,003	(6,227)
Cash, beginning of year	2,631	8,858
Cash, end of year	**$ 13,634**	$ 2,631
Cash includes:		
Cash (note 4)	$ 13,634	$ 3,962
Bank indebtedness	-	(1,331)
Total	**$ 13,634**	$ 2,631

The accompanying notes are an integral part of the consolidated financial statements.

1. Nature of operations

(a) General

Yukon Development Corporation (the "Corporation") was originally established under the *Yukon Development Corporation Act* to participate with the private sector in the economic development of the Yukon, to make strategic investments to the benefit of the territory and to acquire and operate the assets of Northern Canada Power Commission in the Yukon. In 1993, the Corporation's mandate was changed to restrict its new initiatives to energy-related activities designed to promote the economic development of the Yukon.

The Corporation's wholly-owned subsidiary, Yukon Energy Corporation (the "Utility") was incorporated under the Yukon *Business Corporations Act*. The Utility generates, transmits, distributes and sells electrical energy in the Yukon and is subject to overall regulation by the Yukon Utilities Board (YUB) and specific regulation by the Yukon Water Board. Both boards are independent from the Utility. The Corporation and the Utility are not subject to income taxes.

(b) Rate regulation

The operations of the Utility are regulated by the YUB pursuant to the *Public Utilities Act (Yukon)*. There is no minimum requirement for the Utility to appear before the YUB to review rates. However, the Utility is not permitted to charge any rate for the supply of power that is not approved by an Order of the YUB. The Utility is subject to a cost of service regulatory mechanism under which the YUB establishes the revenues required (i) to recover the forecast operating costs, including depreciation and amortization, of providing the regulated service, and (ii) to provide a fair and reasonable return on utility investment or rate base. As actual operating conditions may vary from forecast, actual returns achieved can differ from approved returns.

The regulatory hearing process used to establish or change rates typically begins when the Utility files a General Rate Application (GRA) for its proposed electricity rate changes over the next one or two forecast years. The YUB must ensure that its decision, which fixes electricity rates, complies with appropriate principals of rate making, all relevant legislation including the *Public Utilities Act* and directives issued by the Yukon Government through Orders-In-Council ("OIC") that specify how the interests of the customer and Utility are to be balanced.

The YUB typically follows a two-stage decision process. In the first stage, the total costs that the Utility will incur to provide electricity to its customers over the immediate future are reviewed and approved. The approval of these costs determines the total revenues the Utility is allowed to collect from its customers. It is the responsibility of the YUB to examine the legitimacy of three classes of costs:

- the costs to the Utility to run its operations and maintain its equipment (personnel and materials);
- the cost associated with the depreciation of all capital equipment; and
- the return on rate base (the costs related to borrowing that portion of the rate base which is financed with debt, plus the costs to provide a reasonable rate of return on that portion of the rate base which is financed with equity).

The YUB assesses the prudency of costs added to rate base, which includes an allowance for funds used during construction ("AFUDC") charged to capital projects. The YUB also reviews the appropriateness of property, plant and equipment depreciation rates, which are periodically updated by the Utility through depreciation studies.

In the second stage, the YUB approves how the revenue will be raised. This stage essentially determines the electricity rates for the various customer classes in the Yukon: residential, government, commercial and industrial. This process is guided mainly by requirements of OIC 1995/90 and can include a cost-of-service study which allocates the overall Utility's cost of service to the various customer classes on the basis of appropriate costing principles.

1. Nature of operations - continued

Water regulation
The Yukon Water Board pursuant to the *Yukon Waters Act* decides if and for how long the Utility will have a water license for the purposes of operating hydro generation stations in the Yukon. The licenses will also indicate terms and conditions for the operation of these facilities.

Capital structure
The Utility's policy which has been approved by the YUB is to maintain a capital structure of 60% debt and 40% equity (note 26).

Yukon Government
In March 2015, the Yukon Government authorized the continuation of the Interim Electrical Rebate program (the "rebate") for 12 months at current levels, to March 31, 2016. The rebate provides subsidies to non-government residential and municipal customers. It was implemented in 1998 after the Faro mine closed to protect customers from significant bill increases that would have resulted from that shutdown. The Yukon Government is providing funding for the rebate to a maximum of $3.565 million per fiscal year. In 2015, the Corporation received $3.565 million (2014 - $3.218 million) in funding for the program. The total subsidy payments made by the Corporation during the current year were $3.09 million (2014 - $3.07 million).

The Corporation and the Yukon Government signed a Memorandum of Understanding for the accounting period starting April 1, 2011 to March 31, 2042 regarding the Mayo B and Carmacks-Stewart Transmission line projects. The Yukon Government will assist in funding the repayment of a portion of the bond interest costs of up to $2.625 million annually, subject to the Corporation meeting specified terms set out in the agreement. The Corporation received $2.455 million in 2015 (2014 - $1.628 million) for bond interest costs.

The Corporation was directed to conduct Hydro-Electric Power planning studies. The Corporation recognized $2.071 million as revenue in 2015 (2014 - $0.998 million) for the Hydro-Electric Power planning studies from the Yukon Government.

The Corporation signed two agreements with the Yukon Government for total funding of up to $5.3 million to conduct feasibility studies related to upgrading the transmission facilities between Stewart Crossing and Keno City. The Corporation recognized $2 million as revenue in 2015 (2014 - Nil). The first agreement has been completed and the second agreement is from September 1, 2015 to March 31, 2017.

2. Basis of presentation

a) Statement of compliance
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These are the Corporation's first financial statements prepared in accordance with IFRS and IFRS 1, *First-time Adoption of International Financial Reporting Standards*. An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Corporation is provided in note 28. This note includes reconciliations of equity and total comprehensive income for the comparative period and of equity at the date of transition (January 1, 2014) reported under Part V of the CPA Handbook ("Previous GAAP") to those reported under IFRS.

These financial statements were authorized for issue by the Board of Directors on June 8, 2016.

2. Basis of presentation - continued

b) Basis of measurement
The financial information included in the consolidated financial statements for the year ended December 31, 2015, and for the related comparative periods, has been prepared under the historical cost basis, except for financial instruments which are measured at fair value. The Corporation's policy for these items is in note 3 below.

c) Adoption of new and revised standards and interpretations
The IASB issued IFRS 14, *Regulatory Deferral Accounts*, which allows an entity subject to rate regulation to continue to apply its previous GAAP accounting policies for regulatory deferral account balances when it first adopts IFRS. IFRS 14 provides certain exceptions to, or exemptions from other standards, modifies the presentation requirements of regulatory deferral account balances and related activity and adds disclosure on the amount, timing and uncertainty of future cash flows from any regulatory account balances. The standard is effective for fiscal years beginning on or after January 1, 2016 and earlier adoption is permitted. The Corporation has elected to early adopt this standard. The changes are outlined in note 28.

3. Significant accounting policies

The accounting policies set out below have been applied to all periods presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at January 1, 2014 for the purpose of the transition to IFRS, unless otherwise indicated.

a) Significant accounting judgments, estimates and assumptions
The preparation of financial statements requires the use of judgment in applying accounting policies and in making critical accounting estimates that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of any contingent assets and liabilities. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ from the amounts included in the financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future periods affected. Information about such judgments and estimation is contained in the accounting policies and/or the Notes to the financial statements, and the key areas are summarized below.

The significant areas of judgement, estimates and assumptions are as follows:

Revenue
Estimate of the usage not yet billed at year end, which is included in revenues from sale of power. This accrual is based on an assessment of unbilled electricity supplied to customers between the date of the last meter reading and the year end. Management applies judgement to the measurement of the estimated consumption.

Depreciation and amortization
Significant components of property, plant and equipment are depreciated over their estimated useful lives. Useful lives are determined based on current facts and past experience and employment of experts to perform depreciation studies. While these useful life estimates are reviewed on a regular basis and depreciation calculations are revised accordingly, actual lives may differ from the estimates. As such, assets may continue in use after being fully depreciated, or may be retired or disposed of before being fully depreciated. The latter could result in additional depreciation expense in period of disposition.

Impairment of long-lived assets
An evaluation of whether or not an asset is impaired involves consideration of whether indicators of impairment exist.

3. Significant accounting policies - continued

Management continually monitors the Corporation's operating facilities and makes judgements and assessments about conditions and events in order to conclude whether possible impairment exists.

Asset retirement obligations
In determining the fair value, the Corporation must estimate the amount and timing of the future cash payments and then apply an appropriate risk-free interest rate. Any change to the anticipated amount, timing of future payments or risk-free interest rate can result in a change to the obligation.

Post-employment benefits
The Corporation accrues for its obligations under defined benefit pension plans using actuarial valuation methods and other assumptions to estimate the projected benefit obligation and the associated expense related to the current period, as well as the return on plan assets. The key assumptions utilized include the long-term rate of inflation, rates of future compensation, liability discount rates and the expected return on plan assets. Changes in these assumptions give rise to gains and losses which are recognized immediately in other comprehensive income and then reclassified to retained earnings each year. The obligations are measured by discounting the Corporation's future payments under these plans. In addition, actual payments may vary from the estimates used to project the obligations and the net expense.

b) Revenue recognition
All revenues are recognized in the period earned. Revenue from the sale of power is recognized based on cyclical meter readings. Sales of power includes an accrual for electricity deliveries not yet billed at year end.

c) Translation of foreign currencies
The functional currency of the Corporation is the Canadian Dollar. Revenue and expense items denominated in foreign currencies are translated at exchange rates prevailing during the period. Monetary assets and liabilities denominated in foreign currencies are translated at period-end exchange rates. Non-monetary assets and liabilities are translated at exchange rates in effect when the assets are acquired or the obligations are incurred. Foreign exchange gains and losses are reflected in net income for the period.

d) Allowance for funds used during construction
The cost of the Utility's property, plant and equipment and deferred charges includes an allowance for funds used during construction (AFUDC) as allowed by the regulator. The AFUDC rate is based on the Utility's weighted average cost of debt. The AFUDC capitalized for 2015 was $710,000 (2014 - $1,183,000). The AFUDC rate estimate was 2.46% for 2015 (2014 - 4.01%)

e) Cash
Cash is comprised of bank account balances, net of outstanding cheques.

f) Inventories
Inventories consist of diesel fuel, liquefied natural gas, and materials and supplies. Inventories are recorded at the lesser of weighted average cost and net realizable value. Cost includes all expenditures incurred in acquiring the items and bringing them to their existing condition and location. Critical spare parts are recorded in the Corporation's books as property, plant and equipment.

The recoverable value of inventory considers its net realizable value, including required processing costs, and is impacted by estimates and assumptions on price, quality, recovery and exchange rates. Obsolete materials and supplies are recorded at salvage value in the period when obsolescence is determined.

3. Significant accounting policies - continued

g) Financial instruments

Financial assets and financial liabilities are recognized on the Corporation's statement of financial position when the Corporation becomes party to the contractual provisions of the instrument. Accounts receivable, classified as loans and receivables, are initially measured at fair value. Subsequent to initial recognition, accounts receivable are measured at amortized cost using the effective interest rate method less any impairment.

A provision for impairment of accounts receivable is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that debtor will enter into bankruptcy or require financial reorganization, and default or delinquency in payments are considered indicators that the related accounts receivable are impaired. The accounts receivable carrying amount is reduced through the use of an allowance account and the loss is recognized in net income.

Bank indebtedness, accounts payable and accrued liabilities, construction financing and long term debt are classified as other financial liabilities and they are initially recognized at fair value. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method (except for bank indebtedness which is measured at cost).

Transaction costs are presented as a reduction from the carrying value of the related debt and are amortized using the effective interest rate method over the terms of the debts to which they relate. Transaction costs include fees paid to agents, brokers and advisors but exclude debt discounts and lender financing costs.

Derivative financial instruments are financial contracts that derive their value from changes in an underlying variable. The Corporation has entered into interest rate swaps to manage interest rate risk. The Corporation's interest rate swaps are classified as held for trading and are thus recognized at fair value on the date the contract has been entered into with any subsequent unrealized and realized gains and losses recognized in net income during the period in which the fair value movement occurred.

h) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Corporation's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Corporation's net investment outstanding in respect of the leases.

i) Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and any asset impairment charges. Cost includes the direct costs of acquisition and materials, direct labour, and, if applicable, an allocation of directly attributable overhead costs and an allowance for funds used during construction ("AFUDC"). The capitalized costs also includes estimates of asset retirement costs associated with the property, plant and equipment.

AFUDC is based on the Corporation's weighted average cost of borrowing and is applied to actual costs in work-in-progress less any contributions in aid of construction. For items of property, plant and equipment acquired prior to January 1, 2011, the AFUDC rate also included a regulatory cost of equity component as allowed by the YUB. Capitalization of AFUDC ceases when the asset being constructed is substantially ready for its intended purpose.

3. Significant accounting policies - continued

Assets under construction are recorded as work in progress until they are operational and available for use, at which time they are transferred to property, plant and equipment.

Depreciation is recognized in net income based on the straight-line method over the estimated useful life of each major component of property, plant and equipment. The range of estimated useful lives of the major classes and subclasses of property, plant and equipment is as follows:

Generation	
Hydroelectric plants	30 to 103 years
Thermal plants	12 to 72 years
Wind Turbines	30 years
Transmission	20 to 65 years
Distribution	12 to 55 years
Buildings	20 to 55 years
Transportation	9 to 31 years
Other equipment	5 to 20 years

Depreciation expense is allocated based on estimated property, plant and equipment useful lives and depreciation commences when an asset is available for use. The estimated useful lives of the assets are based upon depreciation studies conducted periodically by the Utility.

Changes in the estimated useful life are accounted for prospectively.

Gains and losses on the disposal or retirement of property, plant and equipment, with the exception of land and vehicles are deferred and amortized over the remaining expected useful life of the related assets under regulatory accounting (note 10). These gains and losses are recognized immediately in net income under IFRS.

Major overhaul costs are capitalized and depreciated on a straight-line basis over the period of the expected useful life (until the next major overhaul) which varies from 5 to 10 years. However, major overhaul costs cannot be depreciated for regulatory purposes until the costs are approved by the YUB (note 10). Repairs and maintenance costs of property plant and equipment are expensed as incurred unless they meet the criteria of a betterment.

j) Intangible assets

Intangible assets are carried at cost less accumulated amortization and any asset impairment charges. Cost includes the direct costs of acquisition and materials, direct labour, and, if applicable, an allocation of directly attributable overhead costs and AFUDC.

Amortization is recognized in net income on a straight-line basis over the estimated useful lives as follows:

Software	5 years
Financial software	10 years
Deferred customer service costs	12 years
Licencing costs	
Hydro generation	17 to 25 years
Diesel generation	3 years

3. Significant accounting policies - continued

k) Impairment of non-financial and financial assets

Property, plant and equipment, regulatory deferral debit balances and intangible assets with finite lives are reviewed for impairment on an annual basis if there is an indication that the carrying amount may not be recoverable. Impairment is assessed at the level of cash-generating units, which are identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of value in use and fair value less costs to sell ("FVLCS") for non-financial assets and objective evidence of impairment in the case of financial assets. Value in use is the net present value of expected future cash flows of the relevant cash-generating unit in its current condition. The best evidence of FVLCS is the value obtained from an active market or binding sale agreement. Where neither exists, FVLCS is based on the best information available to reflect the amount the Corporation could receive for the cash-generating unit in an arm's length transaction. This is often estimated using discounted cash flow techniques and where unobservable inputs are material to the measurement of the recoverable amount, the measurement is classified as level 3 in the fair value hierarchy. The cash flow forecasts for FVLCS purposes are based on management's best estimates of expected future revenues and costs, including the future cash costs of production, capital expenditure, closure, restoration and environmental cleanup. For regulatory deferral debit balances the impairment review focuses on whether the amount is considered collectible based on the expected cash flows from the approved rates approved by the YUB.

These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period. Changes in these assumptions may alter the results of non-financial asset and financial asset impairment testing, impairment charges recognized in net income and the resulting carrying amounts of the assets.

l) Rate regulated accounting policies

Regulatory deferral accounts

Regulatory deferral accounts in these financial statements are accounted for differently than they would be in the absence of rate regulation. Where regulatory decisions dictate, the Corporation defers certain costs or revenues as regulatory deferral account debit balances or regulatory deferral account credit balances on the statement of financial position and recognized them in the net movement in regulatory deferral account balances in the statement of operations and other comprehensive income as it collects or refunds amounts through future customer rates. Any adjustments to these regulatory deferral accounts are recognized in the net movement in regulatory deferral account balances in the period that the YUB renders a subsequent decision. All amounts maintained as regulatory deferral account debit balances and regulatory deferral account credit balances are expected to be recovered or settled and are assessed on an annual basis by comparing the rates approved by the YUB to the current balances. The recovery or settlement of regulatory deferral account balances through future rates is impacted by demand risk and regulatory risks (e.g. potential future decisions of the YUB which could result in material adjustments to these regulatory deferral account debit balances and regulatory deferral account credit balances as described in note 1(b)).

i) Regulatory deferral account debit balances

Regulatory deferral account debit balances represent incurred costs which have been deferred and are recognized or being amortized over various periods as approved by the YUB. Regulatory deferral account debit balances represent costs which are expected to be recovered from customers in future periods through the rate-setting process. In the absence of rate regulation and the Corporation's adoption of IFRS 14 (see note 2(c)), such costs would be expensed as incurred.

3. Significant accounting policies - continued

ii) Regulatory deferral account credit balances

Regulatory deferral account credit balances represent future reductions or limitations of increases in revenues associated with amounts that are expected to be refunded to customers as a result of the rate-setting process. In the absence of rate regulation and the Corporation's adoption of IFRS 14, such amounts would be recorded in income as earned.

Note 10 describes the individual regulatory regulatory deferral accounts, the Utility's related regulatory deferral and amortization policies and describes the related account activity in the relevant periods.

m) Provision for asset retirement obligations

The Corporation has legal obligations for the closure and restoration of property, plant and equipment, which includes the costs of dismantling, demolition of infrastructure and the removal of residual materials and remediation of the disturbed areas.

Where a reliable estimate of the present value of these obligations can be determined, the total retirement costs are recorded as a provision in the accounting period when the obligation arises. There is also a corresponding increase to property, plant and equipment upon recognition of the obligation. Management estimates its costs based on feasibility and engineering studies and assessments using current restoration standards and techniques.

n) Provision for environmental liabilities

Environmental liabilities consist of the estimated costs related to the remediation of environmentally contaminated sites. The Corporation will accrue a provision when it has a present obligation as a result of a past event to remediate the contaminated site, it is expected that future economic benefits will be given up to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

If the likelihood of the Corporation's obligation to incur these costs is either not determinable or the amount of the obligation cannot be reliably estimated, the contingency is disclosed in the notes to the financial statements.

The Corporation reviews its provision for environmental liabilities on an ongoing basis and any changes are recognized in net income for the current period. The Corporation does not have a provision for environmental liabilities as there is no present obligation to remediate.

o) Contributions in aid of construction

Certain property, plant and equipment additions are made with the assistance of cash contributions from customers or capital assistance from the Yukon Government or the Government of Canada. These contributions are deferred upon receipt and amortized to income on the same basis as the assets to which they relate.

p) Decommissioning fund

The decommissioning fund represents monies paid in advance by an industrial customer to decommission the spur line that connects their operation to the Utility's grid. Under a power purchase agreement, the customer has the financial responsibility for decommissioning expenses to be performed by the Utility on its behalf. Any amounts not required for decommissioning will be refunded to the customer. This money accrues interest at the rate equal to the three month Canadian Dealer Offered Rate ("CDOR").

q) Post-employment benefits

The Utility sponsors an employee defined benefit pension plan which provides benefits based on the length of service and average salaries for the five highest paid consecutive years of service. Effective January 1, 2011, the Utility also sponsors an executive defined benefit pension plan and supplemental executive retirement plan. The Utility contributes amounts to the pension plans as recommended by an independent actuary.

3. Significant accounting policies - continued

For the defined benefit plan, the cost of pension benefits is actuarially determined using the projected benefits method, prorated on service, and reflects management's best estimates of investment returns, wage and salary increases, and age at retirement. Remeasurements of the net defined benefit liability, including actuarial gains and losses and return on plan assets, are recognized in other comprehensive income ("OCI") and are not reclassified to net income in a subsequent period. The Utility's policy is to immediately transfer actuarial gains and losses recognized in OCI to retained earnings. The expected return on plan assets is based on the fair value of these assets.

Employees joining the Utility after January 1, 2002 are eligible for a defined contribution retirement plan and are not eligible to participate in the defined benefit pension plan. Contributions are required by both employees and the Utility to cover the current service cost of this defined contribution retirement plan. The Utility has no legal or constructive obligation to pay further contributions with respect to this plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represents the obligation of the Utility.

r) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended December 31, 2015, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Corporation, except for:

i) IFRS 9, *Financial Instruments*, which will replace IAS 39, *Financial Instruments: Recognition and Measurement* and IFRIC 9, *Reassessment of Embedded Derivatives*. The new standard is effective for fiscal years beginning on or after January 1, 2018 and is available for early adoption. The standard is expected to impact the classification and measurement of financial assets, introduce changes to financial liabilities and includes new hedge accounting requirements. The Corporation intends to adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

ii) On May 28, 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which will replace IAS 18, *Revenue*. The new standard is effective for fiscal years beginning on or after January 1, 2018 and is available for early adoption. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract based five step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Corporation intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

iii) IFRS 16, *Leases*, which will replace IAS 17, *Leases* and IFRIC 4, *Determining whether an Arrangement contains a lease*. The new standard is effective for fiscal years beginning on or after January 1, 2019 and is available for early adoption. The standard is expected to impact the classification and disclosure of leases, introduce changes to recognition od lease assets and financial liabilities. The Corporation intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

4. Cash

The cash balance includes an amount of $Nil (December 31, 2014 - $Nil, January 1, 2014 - $1,292,000) that is restricted for the payment of a contractor holdback.

5. Accounts receivable

	December 31, 2015	December 31, 2014	January 1, 2014
Wholesale energy sales	$ 3,549	$ 3,842	$ 5,401
Due from related parties (note 21)	1,594	1,832	402
Retail energy sales	1,321	1,485	1,869
Other	702	851	603
	$ 7,166	$ 8,010	$ 8,275

At December 31, 2015, the aging of accounts receivable is as follows:

	Current	31 - 90 Days	Over 90 Days	Total
Accounts receivable	$ 6,429	$ 192	$ 555	$ 7,176
Allowance for doubtful accounts			(10)	(10)
	$ 6,429	**$ 192**	**$ 545**	**$ 7,166**

At December 31, 2014, the aging of accounts receivable is as follows:

	Current	31 - 90 Days	Over 90 Days	Total
Accounts receivable	$ 7,496	$ 2	$ 522	$ 8,020
Allowance for doubtful accounts			(10)	(10)
	$ 7,496	**$ 2**	**$ 512**	**$ 8,010**

At January 1, 2014, the aging of accounts receivable is as follows:

	Current	31 - 90 Days	Over 90 Days	Total
Accounts receivable	$ 7,444	$ 17	$ 878	$ 8,339
Allowance for doubtful accounts			(64)	(64)
	$ 7,444	**$ 17**	**$ 814**	**$ 8,275**

A reconciliation of the beginning and ending amount of allowance for doubtful accounts is as follows:

	December 31, 2015	December 31, 2014
Allowance for doubtful accounts at beginning of year	$ (10)	$ (64)
Amounts provided for during the year	-	-
Amounts written off as uncollectable	-	54
Payments received during the year	-	-
Allowance for doubtful accounts at end of year	**$ (10)**	$ (10)

6. Inventories

	December 31, 2015	December 31, 2014	January 1, 2014
Materials and supplies	$ 3,105	$ 2,661	$ 2,796
Diesel fuel	333	404	427
Liquefied natural gas	176	-	-
	$ 3,614	$ 3,065	$ 3,223

The amount of inventory expensed during the year is $781,000 (2014 - $227,000) for fuel as disclosed in note 19 and $75,000 (2014 - $145,000) for materials and supplies.

7. Direct financing lease

The Corporation's investments in direct financing leases are summarized as follows:

	December 31, 2015	December 31, 2014	January 1, 2014
Direct financing leases	$ 162	$ 162	$ 162
Less: current portion	45	-	-
	$ 117	$ 162	$ 162

In 2003, the Corporation financed an electric boiler system for the Yukon Hospital Corporation at a cost of $595,898. The repayment terms on this lease stipulate that one half of the realized energy cost savings resulting from the boiler usage during the year will be repaid against the investment. Interest on this investment is earned at the rate of 7.5% per annum and recognized as interest income.

8. Property, plant and equipment

A reconciliation of the changes in the carrying amount of property, plant and equipment is as follows:

	Generation	Transmission & Distribution	Land & Buildings	Transportation & Other	Construction Work-in Progress	Total
Cost:						
At January 1, 2014	$ 224,261	$ 137,296	$ 11,976	$ 2,885	$ 20,537	$ 396,955
Additions	-	-	71	-	37,415	37,486
Transfers	6,088	2,144	1,420	349	(10,001)	-
Disposals	-	-	(23)	-	-	(23)
At December 31, 2014	230,349	139,440	13,444	3,234	47,951	434,418
Additions	-	-	-	-	22,255	22,255
Transfers	44,519	15,908	1,913	359	(62,699)	-
Disposals	(21)	-	-	(112)	-	(133)
At December 31, 2015	**$ 274,847**	**$ 155,348**	**$ 15,357**	**$ 3,481**	**$ 7,507**	**$ 456,540**

8. Property, plant and equipment - continued

	Generation	Transmission & Distribution	Land & Buildings	Transportation & Other	Construction Work-in Progress	Total
Accumulated depreciation:						
At January 1, 2014	$ -	$ -	$ -	$ -	$ -	$ -
Depreciation	4,120	3,820	778	270	-	8,988
Disposals	-	-	(19)	-	-	(19)
At December 31, 2014	4,120	3,820	759	270	-	8,969
Depreciation	4,903	4,124	802	290	-	10,119
Disposals	(1)	-	-	(39)	-	(40)
At December 31, 2015	$ 9,022	$ 7,944	$ 1,561	$ 521	$ -	$ 19,048
Net book value:						
At January 1, 2014	$ 224,261	$ 137,296	$ 11,976	$ 2,885	$ 20,537	$ 396,955
At December 31, 2014	$ 226,229	$ 135,620	$ 12,685	$ 2,964	$ 47,951	$ 425,449
At December 31, 2015	$ 265,825	$ 147,404	$ 13,796	$ 2,960	$ 7,507	$ 437,492

Included in generation depreciation is the annual depreciation for overhauls of $778,000 (2014 - $546,000) which is recorded in regulatory account expenses in note 19.

9. Intangible assets

A reconciliation of the changes in the carrying amount of intangible assets is as follows:

	Software	Deferred Customer Service Costs	Financial Software	Hydro Licensing	Thermal Licensing	Total
Cost:						
At January 1 2014	$ 119	$ 443	$ 2,406	2,991	$ 1,724	$ 7,683
Additions	27	-	-	-	516	543
Disposals	(34)	-	-	-	(30)	(64)
At December 31, 2014	112	443	2,406	2,991	2,210	8,162
Additions	281	-	-	51	306	638
Acquisitions	69	-	-	-	-	69
Disposals	-	-	-	(10)	-	(10)
At December 31, 2015	$ 462	$ 443	$ 2,406	3,032	$ 2,516	$ 8,859
Accumulated amortization:						
At January 1, 2014	-	-	-	-	-	-
Amortization	62	64	284	524	44	978
Disposals	(34)	-	-	-	(30)	(64)
At December 31, 2014	28	64	284	524	14	914
Amortization	33	64	284	524	58	963
Disposals	-	-	-	(10)	-	(10)
At December 31, 2015	$ 61	$ 128	$ 568	$ 1,038	$ 72	$ 1,867

9. Intangible assets - continued

Net book value:							
At January 1, 2014	$ 119	$ 443	$ 2,406	$ 2,991	$ 1,724	$ 7,683
At December 31, 2014	$ 84	379	$ 2,122	$ 2,467	$ 2,196	$ 7,248
At December 31, 2015	$ 401	315	$ 1,838	$ 1,994	$ 2,444	$ 6,992

The internally generated costs and externally purchased costs included in software, deferred customer service costs, financial software, hydro licensing and thermal licensing are 50% internal and 50% external at December 31, 2015, at December 31, 2014 and at January 1, 2014.

10. Regulatory accounts

Regulatory deferral account debit balances

	Feasibility Studies (i)	IFRS Planning (ii)	Regulatory Costs (iii)	Vegetation Management (iv)	Dam Safety (v)	Uninsured Losses (vi)	Total
Cost:							
At January 1, 2014	$ 18,983	$ 556	$ 3,593	$ -	$ 332	$ 330	$ 23,804
Costs incurred	2,167	-	707	1,419	-	196	4,489
Regulatory provision	-	-	-	(502)	-	(226)	(728)
Disposals	(356)	-	(24)	-	-	-	(380)
Contributions received	-	-	(132)	-	-	-	(132)
At December 31, 2014	20,794	556	4,144	917	332	300	27,053
Costs incurred	4,110	-	343	1,229	144	193	6,019
Regulatory provision	-	-	-	(502)	-	(226)	(728)
Disposals	(4,318)	-	-	-	(332)	-	(4,650)
Contributions received	(2,031)	-	(127)	-	-	-	(2,158)
At December 31, 2015	$ 18,555	$ 556	$ 4,360	$ 1,644	$ 144	$ 267	$ 25,536
Accumulated amortization:							
At January 1, 2014	$ 2,502	$ 226	$ 871	$ -	$ 284	$ -	$ 3,883
Amortization	1,196	113	252	-	24	-	1,585
Disposals	(356)	-	(24)	-	-	-	(380)
At December 31, 2014	3,342	339	1,099	-	308	-	5,088
Amortization	1,185	114	246	-	24	-	1,569
Disposals	(183)	-	-	-	(332)	-	(515)
At December 31, 2015	$ 4,344	$ 453	$ 1,345	$ -	$ -	$ -	$ 6,142
Net book value:							
At January 1, 2014	$ 16,481	$ 340	$ 2,722	$ -	$ 48	$ 330	$ 19,921
At December 31, 2014	$ 17,452	$ 227	$ 3,045	$ 917	$ 24	$ 300	$ 21,965
At December 31, 2015	$ 14,211	$ 113	$ 3,015	$ 1,644	$ 144	$ 267	$ 19,394
Net increase (decrease) in regulatory deferral account debit balances (which are recognized in the net movement of regulatory deferral account balances related to net income on the statement of operations and other comprehensive income):							
December 31, 2014	971	(113)	323	917	(24)	(30)	2,044
December 31, 2015	(3,241)	(114)	(30)	727	120	(33)	(2,571)
Remaining recovery years							
At January 1, 2014	5 to 10 years	3 years	10 to 45 years	-	2 years	Indeterminate	
At December 31, 2014	5 to 10 years	2 years	10 to 45 years	Indeterminate	1 year	Indeterminate	-
At December 31, 2015	5 to 10 years	1 year	10 to 45 years	Indeterminate	5 years	Indeterminate	-
Absent rate regulation, net income would increase (decrease) by:							
December 31, 2014	(971)	113	(323)	(917)	24	30	(2,044)
December 31, 2015	3,241	114	30	(727)	(120)	33	2,571

10. Regulatory accounts - continued

Regulatory deferral account debit balances - continued

	Carry Forward	Deferred Overhauls (vii)	Fuel Price Adjustment (viii)	Deferred Gains and losses (ix)			Total
Cost:							
At January 1, 2014	$ 23,804	$ 259	$ 6				$ 24,069
Costs incurred	4,489	684	13				5,186
Regulatory provision	(728)	-	-				(728)
Disposals	(380)	-	-				(380)
Contributions received	(132)	-	-				(132)
At December 31, 2014	27,053	943	19				28,015
Costs incurred	6,019	900	-				6,919
Regulatory provision	(728)	-	-				(728)
Disposals	(4,650)	-	-				(4,650)
Contributions received	(2,158)	-	(15)				(2,173)
At December 31, 2015	$ 25,536	$ 1,843	$ 4				$ 27,383
Accumulated amortization:							
At January 1, 2014	$ 3,883	$ -	$ -				$ 3,883
Amortization	1,585	-					1,585
Disposals	(380)	-	-				(380)
At December 31, 2014	5,088	-	-				5,088
Amortization	1,569	-	-				1,569
Disposals	(515)	-	-				(515)
At December 31, 2015	$ 6,142	$ -	$ -				$ 6,142
Net book value:							
At January 1, 2014	$ 19,921	$ 259	$ 6				$ 20,186
At December 31, 2014	$ 21,965	$ 943	$ 19				$ 22,927
At December 31, 2015	$ 19,394	$ 1,843	$ 4				$ 21,241
Net increase (decrease) in regulatory deferral account debit balances (which are recognized in the net movement of regulatory deferral account balances related to net income on the statement of operations and other comprehensive income):							
December 31, 2014	2,044	684	13				2,741
December 31, 2015	(2,571)	900	(15)				(1,686)
Remaining recovery years							
At January 1, 2014		Indeterminate	Indeterminate	1 year			
At December 31, 2014		Indeterminate	Indeterminate	1 year	-	-	-
At December 31, 2015		Indeterminate	Indeterminate	1 year	-	-	-
Absent rate regulation, Net Income would increase (decrease) by:							
December 31, 2014	(2,044)	(684)	(13)				(2,741)
December 31, 2015	2,571	(900)	15				1,686

(a) Regulatory deferral account debit balances

30

(i) Feasibility studies and infrastructure planning

The Utility undertakes certain studies to determine the feasibility of a range of projects and infrastructure proposals. While in progress, the costs of these studies are deferred within this account. Once the study is completed, the costs are amortized over a prescribed number of years ranging between five and ten years under regulatory reporting. In absence of rate regulation, IFRS would require research costs to be expensed as incurred.

10. Regulatory accounts - continued

(ii) IFRS planning
These deferred costs are associated with the conversion from previous GAAP to IFRS and are amortized over a term of five years. In absence of rate regulation, IFRS would require these costs to be expensed as incurred.

(iii) Regulatory costs
These costs are associated with the YUB regulatory proceedings. The costs consist primarily of various rate and project review proceedings but also include resource plans, hearing costs from before 2012 and demand side management costs. The Utility is directed to defer and amortize the costs over terms at the discretion of the YUB. In the absence of rate regulation, IFRS would require these costs to be expensed as incurred.

(iv) Vegetation management
These deferred costs are annual brushing costs in excess of the maximum annual amount approved by the YUB. Amortization of these costs has not yet been approved. In absence of rate regulation, IFRS would require these costs to be expensed as incurred.

(v) Dam safety review
The Utility has a program of conducting safety reviews of its dams in accordance with standards set by the Canadian Dam Association. External consultants are hired every five years with intermittent costs incurred in the interim periods. These costs are amortized over five years as approved by the YUB. In absence of rate regulation, IFRS would require these costs to be expensed as incurred.

(vi) Uninsured losses
The YUB has approved the use of a deferral account for uninsured damages and injuries as a means of self-insurance. The account is maintained through an annual provision approved by the YUB and collected through customer rates. Variances between the approved annual provision and actual costs incurred are deferred until the following GRA or until a specific application is made to the YUB requesting recovery from or refund to customers. In the absence of rate regulation, IFRS would require these costs to be expensed as incurred.

vii) Deferred overhauls
Overhauls represent costs incurred to overhaul engines that are used in operations and these overhauls are recorded as property, plant and equipment. The Utility was directed by YUB Order 2013-01 to defer all overhaul costs incurred after 2011 until the Utility comes before the YUB for a prudence review and the costs are approved to be depreciated. IFRS requires these completed overhauls to be considered in service and they should be depreciated through net income. In addition, IFRS requires that AFUDC would cease when the overhaul is substantially ready for its intended purpose. As a result, the AFUDC capitalized on these completed overhauls of $122,000 (2014 - $138,000) and the associated depreciation on these overhauls of $778,000 (2014 - $546,000) are shown as a regulatory deferral account debit balance. The opening balance on transition was $259,000 at January 1, 2014.

(viii) Fuel price adjustment
OIC 1995/90 directs the YUB to permit the Utility to adjust electricity rates to reflect fluctuations in the price of diesel fuel. The amount by which actual fuel prices vary from the YUB approved rates is deferred and recovered from or refunded to customers in a future period. In the absence of rate regulation, IFRS would require these costs to be expensed as incurred.

10. Regulatory accounts - continued

(ix) Deferred gains and losses

Deferred gains and losses represent amounts from disposals of property, plant and equipment. There are no deferred gains or losses during any of the reporting years.

Regulatory deferral account credit balances

	Deferred Insurance Proceeds (i)	Hearing Reserve (ii)	Diesel Contingency Fund (iii)	Future Removal and Site Restoration Costs (iv)	Total
Cost:					
At January 1, 2014	$ 11,122	$ 106	$ 8,198	$ 4,671	$ 24,097
Costs incurred	-	(432)	-	-	(432)
Regulatory provision	-	550	-	-	550
Cash received	-	-	1,429	-	1,429
At December 31, 2014	11,122	224	9,627	4,671	25,644
Costs incurred	-	(213)	-	(304)	(517)
Regulatory provision	-	550	-	-	550
Cash received	-	-	2,027	-	2,027
Cash refunded	-	-	(759)	-	(759)
At December 31, 2015	$ 11,122	$ 561	$ 10,895	$ 4,367	$ 26,945
Accumulated amortization:					
At January 1, 2014	$ 5,398	$ -	$ -	$ -	$ 5,398
Amortization	250	-	-	-	250
Disposals	-	-	-	-	-
At December 31, 2014	5,648	-	-	-	5,648
Amortization	249	-	-	-	249
Disposals	-	-	-	-	-
At December 31, 2015	$ 5,897	$ -	$ -	$ -	$ 5,897
Net book value:					
At January 1, 2014	$ 5,724	$ 106	$ 8,198	$ 4,671	$ 18,699
At December 31, 2014	$ 5,474	$ 224	$ 9,627	$ 4,671	$ 19,996
At December 31, 2015	$ 5,225	$ 561	$ 10,895	$ 4,367	$ 21,048
Net (increase) decrease in regulatory deferral account credit balances (which are recognized in the net movement of regulatory deferral account balances related to net income on the statement of operations and other comprehensive income):					
December 31, 2014	250	(118)	(1,429)	-	(1,297)
December 31, 2015	249	(337)	(1,268)	304	(1,052)
Remaining recovery years					
At January 1, 2014	23 years	Indeterminate	Indeterminate	Indeterminate	
At December 31, 2014	22 years	Indeterminate	Indeterminate	Indeterminate	
At December 31, 2015	21 years	Indeterminate	Indeterminate	Indeterminate	
Absent rate regulation, net income would increase (decrease) by:					
December 31, 2014	(250)	118	1,429	-	1,297
December 31, 2015	(249)	337	1,268	(304)	1,052

10. **Regulatory accounts - continued**

(b) Regulatory deferral account credit balances

(i) Deferred insurance proceeds

The deferred insurance proceeds represents a gain on fire insurance proceeds related to a fire at the Whitehorse Rapids Generating Station in 1997 which, pursuant to YUB Order 2003, is being amortized to income at the same rate as depreciation of the related replacement assets. In the absence of rate regulation, IFRS would have required the gain to have been fully recognized as income in the year received.

(ii) Hearing reserve

Pursuant to YUB Order 2013-01, the Utility has established a deferral account for future regulatory hearing costs. A provision is made for $550,000 of hearing costs each year. Actual hearing costs will be applied to this regulatory deferral account. Variances between the annual provision and actual costs are deferred until the following GRA or until a specific application is make to the YUB requesting recover or a refund to customers. In the absence of rate regulation, IFRS would require hearing costs to be expensed as incurred.

(iii) Diesel Contingency Fund and Energy Reconciliation Adjustment

The Diesel Contingency Fund ("DCF") was established by YUB Order 1996-6 through the negotiated settlement process. The DCF is used to reimburse the Utility for costs associated with diesel generation required when there is a diesel cost variance due solely to water-related hydro and wind generation variances from YUB approved GRA forecasts. The DCF attracts interest based upon short/intermediate term bond rates. Any negative balance attracts interest at the lowest short-term bond rates available to the Utility through its line of credit. The Utility is required to file quarterly reports with the YUB on the DCF's activity.

As part of the 2012/13 GRA, the Utility filed for changes to the DCF and Energy Reconciliation Adjustment ("ERA") provisions of the Wholesale Primary Rate Schedule. The YUB deferred a decision on these two issues pending further consultation with affected utilities and a separate proceeding to review the impacts of proposed changes. In January 2014, the Utility filed an application to revise the DCF and ERA with the YUB. A decision was delivered February 6, 2015. In accordance with YUB Order 2015-01, the Utility defers recognition of the additional amounts collected from rate payers when the cost of diesel consumed in the period is less than the long-term average diesel requirements estimated for the actual annual generation load. These deferred revenues are recognized as revenue in the period when the cost of diesel fuel incurred for the period is greater than the long-term average diesel requirements and the reason for the shortfall is a shortage of water in the hydro system. The YUB has set a cap of +/- $8 million for the DCF. If the balance falls outside of this range, the Utility is to make an application to the YUB requesting recovery or a refund to customers. In accordance with YUB Order 2015-06, the Utility is providing a refund to the customers of 0.68 cents/kWh effective September 1, 2015.

In the 2012/13 GRA, the Utility applied to reactivate the Energy Reconciliation Adjustment provision in the Wholesale Primary Rate Schedule. In YUB Order 2015-06, the YUB rejected the proposal and as a result the Utility eliminated the ERA balances in accounts receivable and accounts payable for the years ended December 31, 2015 and 2014.

In the absence of rate regulation, IFRS would require any amounts earned or incurred related to the DCF to be included in the Utility's net income in the year incurred.

10. Regulatory accounts - continued

(iv) Future removal and site restoration costs

The Utility maintains a regulatory provision for future removal and site restoration costs related to property plant and equipment, which is incremental to that required to be recognized as an asset retirement provision under IAS 37. The reserve has been established through amortization rates approved by the YUB. The amortization rates supporting the provision are based upon depreciation studies conducted periodically by the Utility. As a result of the YUB Order 2005-12, effective January 1 2005, the provision is not to exceed the cumulative value of the provision at December 31, 2004 of $5,757,000. YUB Order 2005-12, also directs the Utility to notify interveners and interested parties when the balance of the provision reaches $2,000,000.

Costs of dismantling capital assets, including site remediation, will be applied to this regulatory deferral account credit balance if they do not otherwise relate to an asset retirement obligation. The period over which the provision will be reduced is dependent on the timing of future costs of demolishing, dismantling, tearing down, site restoration or otherwise disposing of the asset net of actual recoveries, and is therefore indeterminate. In the absence of rate regulation, IFRS would require these costs to be expensed or included in the gain or loss on disposal of the related property, plant and equipment, as applicable.

(c) Regulatory account expenses

Regulatory account expenses represent costs incurred related to regulatory account debit balances of $6,919,000 (2014 - $5,186,000) and regulatory account credit balances of $517,000 (2014 - $432,000). Total regulatory expenses were $7,436,000 (2014 - $5,618,000) and all these amounts were paid during the year.

(d) Net movement in regulatory deferral account balances related to net income

Net movement in regulatory deferral account balances related to net income is $(2,738,000) (2014 - $1,443,000) and represents the adjustment to the net income for the year before net movements in regulatory deferral account balances for the effects of rate regulation in accordance with IFRS 14. The net movement figure of $(2,738,000) for 2015 is comprised of lower net income of $(1,686,000) and $(1,052,000) for both regulatory account debit balances and regulatory account credit balances for rate regulation compared to the amounts that would be recorded under IFRS. The net movement figure of $1,444,000 for 2014 is comprised of the higher net income of $2,741,000 for the regulatory debit balances which is partially offset by lower net income of $(1,297,000) for regulatory account credit balances.

11. Bank indebtedness

The Corporation has access to a $17.5 million unsecured line of credit that accrues interest on withdrawals at prime minus 0.75%. No commitment fees are payable on the unused portion of the line. At December 31, 2015, the outstanding balance under the line of credit was $125,000 (December 31, 2014 - $1,416,019 and January 1, 2014 - $Nil).

12. Accounts payable and accrued liabilities

	December 31, 2015	December 31, 2014	January 1, 2014
Trade payables	$ 6,176	$ 13,519	$ 11,486
Employee compensation	885	1,087	358
Due to related parties (note 21)	460	813	23
Other	42	252	470
	$ 7,563	$ 15,671	$ 12,337

13. Construction financing

	December 31, 2015	December 31, 2014	January 1, 2014
Construction financing due September 30, 2015, bearing interest at 1.314%, approved to a maximum of $21.2 million	$ -	$ 10,000	-
Construction financing due March 31, 2016, bearing interest at 1.12%, approved to a maximum of $21.2 million	21,200	-	-
Construction financing due September 30, 2015, bearing interest at 1.314%, (January 1, 2014 - 1.3%) approved to a maximum of $18 million	-	18,000	12,000
Construction financing due March 31, 2016, bearing interest at 1.12%, approved to a maximum of $18 million	18,000	-	-
	$ 39,200	$ 28,000	$ 12,000

The Corporation's construction financing is summarized as follows:

	December 31, 2015	December 31, 2014	January 1, 2014
Current portion of construction financing	$ 39,200	$ 28,000	$ -
Long-term construction financing	-	-	12,000
	$ 39,200	$ 28,000	$ 12,000

Construction financing balances are monies advanced from the Yukon Government to assist in the development of the Utility's infrastructure and generally are repayable within one year. Interest is payable annually at December 31 and at the maturity date. On January 23, 2015, the Corporation received the remaining $11.2 million loan proceeds as part of the $21.2 million Construction Financing agreement with the Yukon Government. Subsequent to year end, on February 29, 2016, the Corporation received an extension on both construction financing loans to March 31, 2018.

14. Long-term debt

The Corporation's long-term debt is summarized as follows:

	December 31, 2015	December 31, 2014	January 1, 2014
Bond The Corporation issued a bond at a fixed interest rate of 5.0% per annum. Interest is payable semi-annually. Principal payment is due when the bond expires on June 29, 2040 (i).	$ 98,323	$ 98,289	$ 98,257
The Toronto Dominion Bank The Corporation entered into an interest rate swap to convert the interest rate on the Bankers' Acceptances amounts from a variable interest rate based on the Bankers' Acceptances rates to a fixed rate of 2.92% per annum. Principal drawdowns are monthly with the balance due on December 27, 2017 (ii).	3,944	5,830	7,662
The Toronto Dominion Bank The Corporation entered into an interest rate swaps to convert the interest rate on the Bankers' Acceptances amounts from a variable interest rate based on the Bankers' Acceptances rates to a fixed rate of 4.82% per annum. Principal drawdowns are quarterly with the balance due on March 30, 2017 (ii).	1,408	2,493	3,543
The Toronto Dominion Bank The Utility entered into an interest rate swap to convert the interest rate on the Bankers' Acceptances amounts from a variable interest rate based on the Bankers' Acceptances rates to a fixed rate of 2.69% per annum. Principal drawdowns are monthly with the balance due on December 28, 2022 (ii).	10,036	10,366	10,687
TD Canada Trust $12,400,000 term note bearing interest at 4.02% payable in monthly installments of $94,406 interest and principal, with the balance due September 30, 2016. The note is guaranteed by the Yukon Government.	836	1,911	2,946
Tr'ondek Hwech'in First Nation loan The loan from the First Nation is related to the construction of the Mayo Dawson Transmission Line and is repayable in equal annual principal repayments of $125,000 with the final payment due in 2049. The interest rate at 7.29% (2014-6.89%) is a blended rate based on the cost of debt and the actual rate of return earned by the Utility.	4,250	4,375	4,625
Na-Cho Nyak Dun First Nation loan The loan from the First Nation is related to the construction of the Mayo B project and is repayable in equal annual principal repayments of $38,888 with the final payment due in 2041. The interest rate of 8.39% (2014-7.39%) is based on the actual rate of return earned by the Utility.	3,418	3,461	-

14. Long-term debt - continued

Chu Niikwan Limited Partnership loan The loan from the First Nation is related to the construction of the Liquid Natural Gas generation equipment and is repayable in equal annual principal repayments of $839,360 with the final payment due in 2040. The interest rate of 4.47% is based on a blended rate based on the cost of debt and the actual rate of return earned by the Utility.	20,984	-	-
Carmacks Stewart First Nation liability Long-term liability payable to several First Nations related to the construction of the Carmacks Stewart Transmission Line. These are non interest bearing, repayable in varying instalments, due in 2028.	251	281	311
Total	**143,450**	127,006	128,031
Less: current portion	5,287	4,578	4,521
	$ 138,163	$ 122,428	$ 123,510

(i) Bond

The Corporation issued a bond in 2010 for the face value of $100 million. The interest rate is 5% and the bond matures June 29, 2040. There are no principal payments due until the bond matures and interest is payable semi-annually. The bond was issued at a discount of $0.7 million which is being amortized over the period of the related debt using the effective interest rate. Transaction costs were $1.2 million and includes fees paid to agents and advisors and are presented as a reduction from the carrying value of the related debt and are amortized over the period of the related debt using the effective interest rate.

(ii) TD Bank Loan and Interest Rate Swap

On December 28, 2012, the Utility entered into a loan and interest rate swap with TD Bank to arrange financing for the purpose of continuing to develop the electrical infrastructure in the Yukon.

Long-term debt repayment

Scheduled repayments for all long-term debt are as follows:

2016	$ 5,287
2017	3,663
2018	1,394
2019	1,403
2020	1,412
Thereafter	130,291
	$ 143,450

Fair value

The fair value of long-term debt at December 31, 2015 is $181 million (December 31, 2014 - $158 million, January 1, 2014 - $139 million). The fair value for all long-term debt including current portions was estimated using discounted cash flows based on an estimate of the Corporation's current borrowing rate for similar borrowing arrangements.

15. Post-employment benefits

Characteristics of benefit plans
The Utility sponsors a defined benefit plan for employees joining the Utility before January 1, 2002 and a pension plan for a former executive. Benefits provided is calculated based on length of pensionable service, pensionable salary at retirement age and negotiated rates.

Employees joining the Utility after January 1, 2002 are not eligible to participate in the employee defined benefit plan. The Utility makes contributions to a Registered Retirement Savings Plan ("RRSP") on behalf of these employees and employees hired before January 1, 2002 who belonged to the employee defined benefit plan and elected to opt out of that plan. The RRSP is a defined contribution plan. The costs recognized for the period are equal to the Utility's contribution to the plan. During 2015, these were $446,000 (2014 - $378,000).

The employee plan is regulated by the Office of the Superintendent of Financial Institutions through the *Pension Benefits Standards Act and regulations*. This Act and accompanying regulations impose, among other things, minimum funding requirements.

These minimum funding requirements require the Utility make special payments as prescribed by the Office of the Superintendent of Financial Institutions to repay any unfunded liability or deficit that may exist. For the employee pension plan, the Utility is required to pay $323,700 as minimum annual payment in each of the next 12 years (2014 - $390,000 in each of the next 13 years, 2013 - $509,600 in each of the next 14 years).

A committee of the Utility's Board of Directors oversees these plans and is responsible for the investment policy with regard to the assets of these funds.

Risks associated with defined benefit plans
The pension plans expose the Utility to actuarial risk such as: investment risk, interest rate risk, longevity risk and salary risk.

Investment risk is the risk that the present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estate.

Interest rate risk is the risk that bond interest will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Longevity risk is the risk that the present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk is the risk that the present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

15. Post-employment benefits - continued

Net defined benefit liability

	December 31, 2015	December 31, 2014
Present value of benefit obligations		
Balance, beginning of year	$ 20,690	$ 17,953
Employee contributions	89	100
Current service cost	544	561
Interest cost	847	861
Benefits paid	(397)	(775)
Actuarial losses (gains) on experience	(857)	1,990
Actuarial losses (gains) on financial assumptions	(323)	-
Balance, end of year	**$ 20,793**	$ 20,690
Fair value of plan assets		
Balance, beginning of year	14,672	13,285
Interest income on plan assets	599	618
Gain (losses) on plan assets	(468)	479
Employee contributions	89	100
Employer contributions	905	1,040
Benefits paid	(360)	(775)
Administrative costs	(80)	(75)
Balance, end of year	**15,357**	14,672
Net defined benefit liability	**$ 5,436**	$ 6,018

The balance of net defined benefit liability at January 1, 2014 is $4,668,000 which is the opening balance of the December 31, 2014 present value of benefit obligations ($17,953,000) net of the opening balance of the December 31, 2014 fair value of the plan asset ($13,285,000).

Components of benefit plan cost

	December 31, 2015	December 31, 2014
Current service cost	544	561
Interest cost	847	861
Interest income on plan assets	(599)	(641)
Administrative costs	80	75
Defined benefit expense in Statement of Operations	**872**	856
Defined contribution expense	446	378
Total benefit expense in Statement of Operations	**$ 1,318**	$ 1,234
Actuarial (gains)/losses on obligation	(980)	1,991
Losses/(gains) on plan assets	468	(479)
Total re-measurement included in Other Comprehensive Income	**(512)**	1,512
Total benefit cost recognized in the Statement of Operations and Other Comprehensive Income	**$ 806**	$ 2,746

15. Post-employment benefits - continued

The fair value of the plan assets is based on market values as reported by the plans' custodians at each applicable statement of financial position date. The distribution of assets by major asset class is as follows:

	December 31, 2015	December 31, 2014	January 1, 2014
Equities	52.4%	53.1%	53.1%
Fixed income securities	36.8%	36.1%	36.1%
Real estate	10.8%	10.8%	10.8%

Significant assumptions:

	December 31, 2015	December 31, 2014	January 1, 2014
Discount rate - accrued benefit obligation	4.10%	4.00%	4.75%
Assumed rate of salary escalation	3.00%	3.00%	3.00%
Pension growth	2.00%	2.00%	2.00%

Sensitivity Analysis:
The sensitivities of key assumptions used in measuring accrued benefit obligations at each statement of financial position date. The sensitivities of each key assumption have been calculated independently of changes in other key assumptions. Actual experience may result in changes in a number of assumptions simultaneously. The sensitivity analysis has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period. The mortality assumptions are based on the 2014 Canadian Pensioner Mortality Private Table projected with full generational mortality improvements using scale B.

Assumptions and sensitivity as at December 31, 2015

Assumption		+1%	-1%	+1%	-1%
Discount rate	4.10%	-14.6%	18.6%	$(2,839)	$3,617
Salary growth	3.00%	3.2%	-3.0%	616	(579)
Pension growth	2.00%	13.7%	-11.4%	2,678	(2,220)
Life expectancy (1 year movement)		2.3%	-2.3%	446	(450)

Assumptions and sensitivity as at December 31, 2014

Assumption		+1%	-1%	+1%	-1%
Discount rate	4.00%	-15.1%	19.4%	$(2,927)	$3,761
Salary growth	3.00%	3.1%	-2.9%	601	(562)
Pension growth	2.00%	13.6%	-11.2%	2,637	(2,171)
Life expectancy (1 year movement)		2.3%	-2.3%	446	(446)

Assumptions and sensitivity as at January 1, 2014

Assumption		+1%	-1%	+1%	-1%
Discount rate	4.75%	-14.4%	18.3%	$(2,457)	$3,122
Salary growth	3.00%	2.9%	-2.8%	495	(478)
Pension growth	2.00%	12.8%	-10.7%	2,184	(1,825)
Life expectancy (1 year movement)		2.1%	-2.1%	358	(358)

15. Post-employment benefits - continued

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same that is applied in calculating the defined benefit obligation liability recognized in the statement of financial position.

The Utility pays the balance of the cost of the Plan over the employee contributions, as determined by the actuary. Members are required to contribute 3.5% of earnings up to the Year's Maximum Pensionable Earnings (YMPE) plus 5% of earnings above the YMPE. Permanent part-time members will have required contributions as above multiplied by their permanent part-time service ratio. Employees can make additional contributions to purchase ancillary benefits. Members choose the ancillary benefit on termination of service or on retirement.

The average duration of the benefit obligation is 16.6 years (2014 - 17.3 years, 2013 - 16.4 years).

The Utility expects to make payments of $871,000 to the defined benefit plans during the next financial year.

16. Contributions in aid of construction

	Government of Canada	Customers since 1998	Yukon Government since 1998	Pre - 1998 contributions	Total
Cost:					
At January 1, 2014	$ 71,000	$ 23,417	$ 17,959	$ 1,739	$ **114,115**
Additions	-	586	-	-	**586**
At December 31, 2014	71,000	24,003	17,959	1,739	**114,701**
Additions	-	578	161	-	**739**
At December 31, 2015	**$ 71,000**	**$ 24,581**	**$ 18,120**	**$ 1,739**	**$ 115,440**
Accumulated amortization:					
At January 1, 2014	$ 2,057	$ 6,421	$ 2,537	$ 1,206	$ **12,221**
Additions	991	1,160	378	43	**2,572**
At December 31, 2014	3,048	7,581	2,915	1,249	**14,793**
Additions	991	1,180	379	43	**2,593**
At December 31, 2015	**$ 4,039**	**$ 8,761**	**$ 3,294**	**$ 1,292**	**$ 17,386**
Net book value:					
At January 1, 2014	$ 68,943	$ 16,996	$ 15,422	$ 533	$ **101,894**
At December 31, 2014	$ 67,952	$ 16,422	$ 15,044	$ 490	$ **99,908**
At December 31, 2015	$ 66,961	$ 15,820	$ 14,826	$ 447	$ **98,054**

The sources of contributions received prior to 1998 were not recorded separately.

17. Decommissioning fund

	December 31, 2015	December 31, 2014
Opening balance	$ 2,586	$ 2,553
Interest	26	33
Closing balance	**$ 2,612**	$ 2,586

18. Sales of power

	2015	2014
Wholesale	$ 29,794	$ 30,199
General service	4,265	4,095
Industrial	4,230	4,172
Residential	1,741	1,806
Secondary sales	544	410
Sentinel and street lights	100	102
	$ 40,674	$ 40,784

19. Operations and maintenance expenses

	2015	2014
Regulatory account expenses	$ 7,436	$ 5,618
Wages and benefits	5,553	$ 5,639
Contractors	1,826	1,550
Materials and consumables	1,143	1,409
Fuel	781	227
Travel	341	458
Rent	234	238
Communication	62	46
	$ 17,376	$ 15,185

20. Administration expenses

	2015	2014
Wages and benefits	$ 6,262	$ 6,004
External labour	2,513	1,849
Insurance and taxes	1,605	1,360
Materials, consumables and general	978	1,373
Licences and fees	614	581
Travel	191	232
Board fees	108	190
	$ 12,271	$ 11,589

21. Related party transactions

The Corporation is related in terms of common ownership to all Yukon Government departments, agencies and Crown Corporations. Transactions are entered into in the normal course of operations with these entities. All sales of power are recorded at the rates approved by the YUB.

The following table summarizes the Corporation's related party transactions for the year:

	2015	2014
Revenues		
Contributions from YG for Interim Electrical Rebate program	$ 3,566	$ 3,218
Contributions from YG for bond interest expense	2,455	1,628
Contributions from YG for Next Generation Hydro project expenses	2,071	998
Contributions from YG for feasibility studies for transmission facilities	2,000	-
Program cost reimbursement from YG	127	118

At the end of the year, the amounts receivable from and due to related entities are as follows:

	December 31, 2015	December 31, 2014	January 1, 2014
YG			
Construction financing from YG	$ 39,200	$ 28,000	$ 12,000
Accounts receivable	$ 1,594	$ 1,832	$ 402
Accounts payable	$ 460	$ 813	$ 23

These balances are non-interest bearing and payable on demand except for construction financing.

21. Related party transactions - continued

Transactions with Key Management Personnel
The Corporation's key management personnel comprise of members of senior management and the board of directors, a total of 28 individuals (2014 - 26 individuals). Key management personnel compensation is as follows:

Year ended December 31,	2015	2014
Short-term employee benefits	$ 1,913	$ 1,866
Post-employment benefits	55	55
Retirement benefits	36	42
	$ 2,004	$ 1,963

22. Commitments

Aishihik water licence
The Yukon Territory Water Board issued a water use licence in 2002, valid until December 31, 2019, for the Utility's Aishihik Lake facility. In addition to maintaining a minimum and maximum water level, this licence commits the Utility to meet a number of future requirements including annual fish monitoring programs.

Fish monitoring programs are also required under an authorization provided by the federal government Department of Fisheries and Oceans, which is valid until December 31, 2019. These costs of meeting these requirements are accounted for as water licence costs in the year they are paid.

Contractual obligations
The Corporation has entered into contracts to purchase products or services for which the liability has not been incurred as at December 31, 2015 as the product or service had not been provided. The total commitments at year end are $5,746,000 (December 31, 2014 - $11,169,000, January 1, 2014 - $6,730,000).

23. Contingencies

Aishihik Third Turbine Project
This project was commissioned into service in December 2011. On March 2, 2012, the general contractor filed a claim with the Supreme Court of Yukon for $4,000,000 plus interest and costs alleging the Utility has not paid for work performed. The Utility has informed the contractor of claims for incomplete contract scope, uncorrected deficiencies and other claims. The outcome of the claim is not determinable at this time and no amount has been recognized in the financial statements.

Asset retirement obligations
The Utility has not recognized a provision for the closure and restoration obligations for certain generation, transmission and distribution assets which the Utility anticipates maintaining and operating these assets for an indefinite period, making the date of retirements of these assets indeterminate. These significant uncertainties around the timing of any potential future cash outflows are such that a reliable estimate of the liability is not possible at this time. A provision will be recognized when the timing of the retirement of these assets can be reasonably estimated.

24. Provision for environmental liabilities

The Utility's activities are subject to various federal and territorial laws and regulations governing the protection of the environment or to minimize any adverse impact thereon. The Utility conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations.

The Utility has conducted environmental site assessments at all its diesel plant sites. At sites where environmental contamination was found and a legal obligation to remediate the site existed, the Utility has conducted a full remediation. As at December 31, 2015 no environmental liabilities, for which a legal obligation exists to remediate, has been identified by the Utility. The Utility will continue to use its Environmental Management System to monitor and assess previous and potential existing environmental liabilities on an ongoing basis.

25. Risk management and financial instruments

At December 31, 2015, the Corporation's financial instruments included cash, accounts receivable, finance lease receivables, accounts payable and accrued liabilities, construction financing, long-term debt and interest rate swaps. The fair value of cash, accounts receivable, finance lease receivables, accounts payable and accrued liabilities and construction financing approximate their carrying value due to the immediate or short-term maturity of these financial instruments.

The long-term debt is accounted for at amortized cost using the effective interest rate method. The fair value of the long-term debt is estimated by discounting the future cash flows using current rates for debt instruments subject to similar risks and maturities as disclosed in note 14.

The Corporation has access to a $17.5 million line of credit. The account accrues interest on withdrawals at prime rate minus 0.75% per annum.

Interest rate swaps are financial contracts that derive their value from changes in an underlying variable. The Utility's interest rate swaps are classified as held for trading and are recognized at their fair value on the date the contract has been entered into. Any subsequent unrealized and realized gains and losses are reported in net income during the period in which the fair value movement occurred. The fair value of the interest rate swaps is estimated using standard market valuation techniques and is provided to the Utility by the financial institution that is the counterparty to the transactions.

The Corporation did not engage in any other hedging transactions.

Interest rate risk

Interest rate risk is the risk that future cash flows or fair value of a financial instrument will fluctuate due to changes in market interest rates. The Utility's future cash flows are not exposed to significant interest rate risk due to its long-term debt having fixed interest rates, with the exception of the Bankers' Acceptances from the TD Bank. The Bankers' Acceptances have had the variable rate converted to a fixed rate using an interest rate swap to eliminate the interest rate risk.

As at December 31, 2015, the Corporation had three interest rate swap agreements in place with notional principal amounts of $4 million, $10 million and $1 million (December 31, 2014 - $5.8 million, $10.4 million, $1.9 million and January 1, 2014 - $7.7 million $10.7 million, $2.6 million). The agreements effectively change the Corporation's interest rate exposure on these notional amounts from floating rates to fixed rates of 2.92%, 2.69% and 4.82% respectively.

25. Risk management and financial instruments - continued

The fair value of the interest rate swap agreements on December 31, 2015 was a liability of $660,000 (December 31, 2014 - liability of $400,000 and January 1, 2014 - asset of $120,000). The decrease in the fair value in 2015 of $261,000 (2014 – decrease of $520,000) is recorded on the statement of operations and comprehensive income as an unrealized loss. A 100 basis point increase/decrease in the interest rate assumption would have resulted in an increase/decrease in the interest rate swap agreements fair value of $659,000 (December 31, 2014 - $778,000 and January 1, 2014 - $940,000).

Credit risk

Credit risk is the risk of failure of a debtor or counterparty to honour its contractual obligations resulting in financial loss to the Corporation.

The following table illustrates the maximum credit exposure to the Corporation if all counterparties defaulted:

	December 31, 2015	December 31, 2014	January 1, 2014
Cash	$ 13,634	$ 3,962	$ 8,858
Accounts receivable	7,166	8,010	8,275
Finance lease receivables	162	162	162
	$ 20,962	$ 12,134	$ 17,295

Credit risk on cash is considered minimal as the Corporation's cash deposits are held by a Canadian Schedule 1 Chartered bank.

Credit risk on accounts receivable is considered minimal as the Corporation has experienced insignificant bad debt in prior years. In addition, its primary customer is a rate regulated utility that purchases power from the Utility for resale and as such these receivables are considered fully collectible.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through regular monitoring of cash and currency requirements by preparing cash flow forecasts to identify financing requirements. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation.

The Corporation had $17.5 million (December 31, 2014 - $16.169 million and January 1, 2014 - $17.5 million) in undrawn credit facilities at its disposal to further reduce liquidity risk. See note 14 for contractual maturity analysis of long-term debt.

25. Risk management and financial instruments - continued

Fair values

The following table illustrates the fair value hierarchy of the Corporation's financial instruments as at December 31, 2015:

	Quoted prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)	Total
Derivative related liability	-	$660	-	**$660**
Long-term debt			$143,450	**$143,450**

The following table illustrates the fair value hierarchy of the Corporation's financial instruments as at December 31, 2014:

	Quoted prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)	Total
Derivative related liability	-	$400	-	**$400**
Long-term debt			$127,006	**$127,006**

The following table illustrates the fair value hierarchy of the Corporation's financial instruments as at January 1, 2014:

	Quoted prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)	Total
Derivative related asset	-	$120	-	**$120**
Long-term debt			$128,031	**$128,031**

26. Capital management

The Corporation's and the Utility's capital is their equity which is comprised of share capital, contributed capital and accumulated funds in the form of retained earnings. The Corporation and the Utility manage their equity by managing revenues, expenses, assets and liabilities to ensure their objectives are effectively achieved while remaining a going concern.

The Utility monitors its capital on the basis of the ratio of total debt to total capitalization. Debt is calculated as total borrowings, which is comprised of long-term debt, including the portion of long-term debt due within one year. Short term debt related to assets under construction at the statement of financial position date is excluded from the calculation of total debt, as the assets are similarly excluded from the determination of rate base. In addition the provision for decommissioning of the Minto Mine spur line has been added (note 17). Total capitalization is calculated as total debt plus total shareholder's equity as shown on the statement of financial position. The Utility maintains a balance in retained earnings as an indicator of the Utility's equity position.

The Utility has a policy which defines its capital structure at a ratio of 60% debt and 40% equity. This policy has been reviewed and accepted by the YUB.

The table below summarizes the Utility's total debt to total capitalization position:

	December 31, 2015	December 31, 2014	January 1, 2014
Long-term debt due within one year	$ 6,066	$ 72,346	$ 5,406
Long-term debt	140,874	59,065	125,906
Total debt	**146,940**	131,411	131,312
Add provision for decommissioning of industrial customer spur line	2,612	2,586	2,553
Total debt to include in the calculation	**$ 149,552**	$ 133,997	$ 133,865
Share capital	$ 39,000	$ 39,000	$ 39,000
Contributed surplus	14,600	14,600	14,600
Retained earnings	46,303	38,076	31,929
Total shareholder's equity	**99,903**	91,676	85,529
Total capitalization	**$ 249,455**	$ 225,673	$ 219,394
Total debt to total capitalization	**60 %**	59 %	61 %

There were no changes in the Corporation's or the Utility's approach to capital management during the period.

27. Non-consolidated financial information

The nature and size of operations of the Corporation and its wholly-owned subsidiary, Yukon Energy Corporation differ substantially. Audited financial statements of Yukon Energy Corporation for the year ended December 31, 2015 are also prepared.

28. Explanation of transition to IFRS

As stated in note 2(a), these are the Corporation's first financial statements prepared in accordance with IFRS. The accounting policies set out in note 3 comply with IFRS issued and effective as of December 31, 2015 (or not yet effective but available for early adoption, as in the case of IFRS 14) and have been applied in preparing the financial statements as at and for the year ended December 31, 2015, and December 31, 2014 and in preparing the opening IFRS statement of financial position as at January 1, 2014 (the Corporation's date of transition).

IFRS 1 provides specific requirements for an entity's initial adoption of IFRS. In preparing its opening IFRS statement of financial position, the Corporation has adjusted amounts reported previously in its financial statements prepared in accordance with previous GAAP. An explanation of how the transition from previous GAAP to IFRS has affected the Corporation's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Pursuant to IFRS 1, the Corporation has applied the following relevant mandatory exceptions to retrospective application of IFRS:

Estimates

IFRS 1 provides that estimates in accordance with IFRS at the date of transition shall be consistent with estimates made in accordance with previous GAAP (after adjustment to reflect differences in accounting policies), unless there is objective evidence those estimates were in error. There were no adjustments made to previous GAAP estimates.

In accordance with IFRS 1, the Corporation has applied the following voluntary exemptions in the conversion from its previous GAAP to IFRS:

i) Deemed cost

IFRS 1 allows the Corporation to use the previous GAAP carrying value of property, plant and equipment and intangible assets used, or previously used, in operations subject to rate regulation at the transition date as its new "deemed" cost for IFRS. The Corporation has elected to apply this exemption to all rate regulated property, plant and equipment and intangible assets and none of these assets required an impairment provision at the transition date.

ii) Exemption for borrowing costs

IFRS 1 allows a first time adopter to apply the transitional provisions set out in IAS 23, *Borrowing Costs*. The Corporation has elected to take the exemption to apply IAS 23 prospectively from the date of transition.

28. Explanation of transition to IFRS - continued

iii) Asset retirement obligations (ARO)

IFRS 1 allows the Corporation to avoid retroactively applying the provisions of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* and IFRIC 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*. The Corporation has elected to determine the asset retirement obligation liability at the date of transition using current market-based discount rates, discounting the provision back to the date of the original obligation using historical risk-adjusted rates and depreciating the resulting present value from the date of the obligation to the transition date.

iv) Lease arrangements

IFRS 1 allows the Corporation to elect to assess all arrangements for leases at the date of transition rather than the inception of the arrangements. The Corporation has elected to apply this exemption.

v) Transfers of assets from customers

IFRS 1 allows entities to apply the transitional requirements of IFRIC 18, *Transfer of Assets from Customers*, prospectively to transfers from customers received on or after the date of transition. IFRIC 18 provides accounting and income recognition guidance for these transfers. The Corporation has elected to apply this exemption.

Differences between the Corporation's previous GAAP and its IFRS financial position as at January 1, 2014 and as at December 31, 2014, its financial performance for the year ended December 31, 2014, and its cash flows for the year ended December 31, 2014, are outlined in the following tables and explanatory notes:

28. Explanation of transition to IFRS - continued

Reconciliation of the Statement of Financial Position as at January 1, 2014 (Transition Date)

	Notes	Previous GAAP	Effect of Transition to IFRS	IFRS
Assets				
Current				
Cash		$ 8,858	$ -	$ 8,858
Accounts receivable	(b)	8,281	(6)	8,275
Inventories		3,223	-	3,223
Derivative related asset		120	-	120
Prepaid expenses		672	11	683
		21,154	5	21,159
Non-current				
Finance lease receivables		162	-	162
Property, plant and equipment	(d,e)	399,739	(2,784)	396,955
Deferred uninsured losses	(b)	330	(330)	-
Intangible assets	(d)	-	7,683	7,683
Deferred charges and intangible assets	(b,d)	24,760	(24,760)	-
Total assets		446,145	(20,186)	425,959
Regulatory deferral account debit balances	(b)	-	20,186	20,186
Total assets and regulatory deferral account debit balances		$ 446,145	$ -	$ 446,145
Liabilities				
Current				
Accounts payable and accrued liabilities		$ 12,337	$ -	$ 12,337
Current portion of long-term debt		4,521	-	4,521
		16,858	-	16,858
Non-current				
Long-term construction financing		12,000	-	12,000
Post-employment benefits	(a)	1,160	3,508	4,668
Contributions in aid of construction	(b)	107,618	(5,724)	101,894
Future removal and site restoration costs	(b)	4,671	(4,671)	-
Decommissioning fund		2,553	-	2,553
Regulatory hearing reserve	(b)	106	(106)	-
Diesel contingency fund	(b)	8,198	(8,198)	-
Long-term debt		123,510	-	123,510
Total liabilities		276,674	(15,191)	261,483
Equity				
Contributed surplus		41,501	-	41,501
Retained earnings	(a)	127,970	(3,508)	124,462
Total equity		169,471	(3,508)	165,963
Total liabilities and equity		446,145	(18,699)	427,446
Regulatory deferral account credit balances	(b)	-	18,699	18,699
Total liabilities, equity and regulatory deferral account credit balances		$ 446,145	$ -	$ 446,145

28. Explanation of transition to IFRS - continued

Reconciliation of the Statement of Financial Position as at December 31, 2014

	Notes	Previous GAAP	Effect of Transition to IFRS	IFRS
Assets				
Current				
Cash		$ 3,962	$ -	$ 3,962
Accounts receivable	(b)	8,029	(19)	8,010
Inventories		3,065	-	3,065
Prepaid expenses		719	-	719
		15,775	**(19)**	**15,756**
Non-current				
Finance lease receivables		162	-	162
Property, plant and equipment	(d,e)	428,598	(3,149)	425,449
Deferred uninsured losses	(b)	300	(300)	-
Intangible assets	(d)	-	7,248	7,248
Deferred charges and intangible assets	(b,d)	26,707	(26,707)	-
Total assets		**471,542**	**(22,927)**	**448,615**
Regulatory deferral account debit balances	(b)	-	22,927	22,927
Total assets and regulatory deferral account debit balances		**$ 471,542**	**$ -**	**$ 471,542**
Liabilities				
Current				
Bank indebtedness		$ 1,331	$ -	$ 1,331
Accounts payable and accrued liabilities		15,706	(35)	15,671
Construction financing		28,000	-	28,000
Derivative related liability		400	-	400
Current portion of long-term debt	(f)	4,578	-	4,578
		50,015	**(35)**	**49,980**
Non-current				
Post-employment benefits	(a)	950	5,068	6,018
Contributions in aid of construction	(b)	105,382	(5,474)	99,908
Future removal and site restoration costs	(b)	4,671	(4,671)	-
Decommissioning fund		2,586	-	2,586
Regulatory hearing reserve	(b)	224	(224)	-
Diesel contingency fund	(b)	9,627	(9,627)	-
Long-term debt	(f)	122,428	-	122,428
Total liabilities		**295,883**	**(14,963)**	**280,920**
Equity				
Contributed capital		**41,501**	**-**	**41,501**
Retained earnings	(a)	**134,158**	**(5,033)**	**129,125**
Total equity		**175,659**	**(5,033)**	**170,626**
Total liabilities and equity		**471,542**	**(19,996)**	**451,546**
Regulatory deferral account credit balances	(b)	-	19,996	19,996
Total liabilities, equity and regulatory deferral account credit balances		**$ 471,542**	**$ -**	**$ 471,542**

28. Explanation of transition to IFRS - continued

Reconciliation of Statement of Operations and Other Comprehensive Income for the year ended December 31, 2014

	Notes	Previous GAAP	Effect of Transition to IFRS	Effect of Reclass	IFRS
Revenue					
Sales of power	(b)	$ 39,355	$ 1,429	$ -	$ 40,784
Yukon Government contributions		5,844	-	-	5,844
Other	(b)	275	132	-	407
		45,474	**1,561**	-	**47,035**
Expenses					
Operations and maintenance	(a,b,e)	10,056	5,129	-	**15,185**
Administration		11,589	-	-	**11,589**
Amortization of property, plant and equipment	(b,c,d)	6,481	1,969	(8,450)	-
Amortization of deferred charges	(b,d)	2,210	(2,210)	-	-
Amortization of intangible assets	(d)	568	410	(978)	-
Amortization and depreciation		-	-	9,428	**9,428**
		30,904	**5,298**	-	**36,202**
Income from operations		**14,570**	**(3,737)**	-	**10,833**
Other income					
Allowance for funds used during construction		1,183	-		**1,183**
Amortization of contributions in aid of construction	(c)	506	2,066		**2,572**
Interest income		51	-		**51**
		1,740	**2,066**		**3,806**
Other expenses					
Interest on borrowings		6,306	11		**6,317**
Interim electrical rebate program subsidies		3,070	-		**3,070**
Unrealized loss (gain) on interest rate swap		520	-		**520**
Provision for uninsured losses	(b)	226	(226)		-
		10,122	**(215)**		**9,907**
Net income for the year before net movement in regulatory deferral account balances		**6,188**	**(1,456)**		**4,732**
Net movement in regulatory deferral account balances related to net income	(b,e)	**-**	**1,443**		**1,443**
Net income for the year and net movement in regulatory deferral account balances		**6,188**	**(13)**		**6,175**
Other comprehensive income					
Not subsequently reclassified to net income:					
Remeasurement of defined benefit pension plans	(a)	-	(1,512)		**(1,512)**
Total comprehensive income for the year		**$ 6,188**	**$ (1,525)**		**$ 4,663**

28. Explanation of transition to IFRS - continued

Reconciliation of Statement of Changes in Equity

	Notes	Contributed Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Previous GAAP at January 1, 2014		$ 41,501	$ 127,970	$ -	$ 169,471
Effects of transition to IFRS	(a)	-	(3,508)	-	(3,508)
IFRS at January 1, 2014		41,501	124,462	-	165,963
Net income for the year and net movement in regulatory deferral account balances		-	6,175	-	6,175
Other comprehensive income		-	-	(1,512)	(1,512)
Transfer of remeasurement of defined benefit pension plans to retained earnings		-	(1,512)	1,512	-
At December 31, 2014		**$ 41,501**	**$ 129,125**	**$ -**	**$ 170,626**

28. Explanation of transition to IFRS - continued

Reconciliation of the Statement of Cash Flows for the year ended December 31, 2014

	Notes	Previous GAAP	Effect of Transition to IFRS	IFRS
Operating activities				
Cash receipts from customers	(h)	$ 46,702	$ (5,699)	$ 41,003
Cash receipts from Yukon Government		-	5,844	5,844
Cash receipts from contributions in aid of construction	(h)	-	576	576
Cash paid to employees and suppliers	(b,h)	(23,202)	23,202	-
Cash paid to suppliers	(h)	-	(15,766)	(15,766)
Cash paid to employees	(h)	-	(11,076)	(11,076)
Interest paid		(6,331)	-	(6,331)
Interest received		84	-	84
Cash provided by operating activities		17,253	(2,919)	14,334
Financing activities				
Receipt of construction financing		16,000	-	16,000
Repayment of long-term debt		(4,525)	-	(4,525)
Proceeds from long-term debt		3,500	-	3,500
Contributions in aid of construction	(h)	721	(721)	-
Cash provided by financing activities		15,696	(721)	14,975
Investing activities				
Additions to property, plant and equipment	(d)	(35,020)	27	(34,993)
Additions to deferred charges and intangible assets	(b)	(4,156)	4,156	-
Additions to intangible assets	(b,d)	-	(543)	(543)
Cash used in investing activities		(39,176)	3,640	(35,536)
Net decrease in cash		(6,227)	-	(6,227)
Cash, beginning of year		8,858	-	8,858
Cash, end of year		$ 2,631	$ -	$ 2,631

Notes to the Reconciliations

The following material adjustments were made to previous GAAP balances to arrive at the IFRS financial statements:

a) Post-employment benefits

Under previous GAAP, subject to certain criteria, the Utility would defer and amortize unrealized actuarial gains and losses into pension expense using the corridor method. Under IFRS, unrealized actuarial gains and losses are recognized in other comprehensive income and the Utility has elected to transfer these amounts to retained earnings within equity. As a result, post-employment benefits increased and retained earnings decreased by $5,020,000 at December 31, 2014 (January 1, 2014 - $3,435,000) and other comprehensive income decreased in fiscal 2014 by $1,512,000 for the unrealized actuarial losses. In addition, in fiscal 2014, operations and maintenance - wages and benefits expense increased $73,000 to derecognize the actuarial gains and losses recognized under the corridor method.

28. Explanation of transition to IFRS - continued

In addition, as at December 31, 2014, accounts payable and accrued liabilities decreased and post-employment benefits increased by $35,000.

Under previous GAAP, the Utility recognized a transitional asset related to the initial adoption of the standard, which was being amortized over the average remaining service period of active employees. IFRS does not recognize these transitional assets. As a result, post-employment benefits increased and retained earnings decreased by $13,000 at December 31, 2014 (January 1, 2014 - $73,000) and operations and maintenance - wages and benefits expense decreased by $60,000 to derecognize the amortization of the transition asset recognized in fiscal 2014.

b) Regulatory deferral accounts

As discussed in note 2(c), the Utility elected to adopt IFRS 14 *Regulatory Deferral Accounts* at the transition date. Under IFRS 14, regulatory deferral account balances are combined and separately presented from assets, liabilities, income and expenses. Specifically, all regulatory assets under previous GAAP are combined and reported as regulatory deferral account debit balances under IFRS and all regulatory liabilities under previous GAAP are combined and reported as regulatory deferral account credit balances under IFRS.

Under previous GAAP, cash/contributions received and costs incurred were netted against the regulatory deferral account. In addition, the amortization of the deferral accounts was presented as amortization of deferred charges. Under IFRS, the cash/contributions received are to be presented as revenues and the costs incurred are to be presented as expenses. Under IFRS, all changes in regulatory deferral account balances, including the amortization of deferred charges, is included in net movement in regulatory deferral account balances related to net income.

IFRS 14 impacted the following accounts:
Fuel price adjustment
As at December 31, 2014, accounts receivable decreased and regulatory deferral account debit balances increased by $19,000 (January 1, 2014 - $6,000) related to the fuel price adjustment. In addition, operations and maintenance - regulatory account expenses increased for costs incurred and net movement in regulatory deferral account balances related to net income increased by $13,000 for fiscal 2014.

Deferred uninsured losses
As at December 31, 2014, deferred uninsured losses decreased and regulatory deferral account debit balances increased by $300,000 (January 1, 2014 - $330,000). In addition, operations and maintenance - regulatory account expenses increased by $196,000 for costs incurred, the provision for uninsured losses decreased by $226,000 and net movement in regulatory deferral account balances related to net income decreased by $30,000 for fiscal 2014.

Deferred charges and intangible assets
As at December 31, 2014, deferred charges and intangible assets decreased and regulatory deferral account debit balances increased by $21,665,000 (January 1, 2014 - $19,591,000) related to feasibility studies, IFRS planning, regulatory costs, vegetation management and dam safety. In addition, other revenue increased by $133,000 for contributions received, operations and maintenance - regulatory account expenses increased by $4,293,000 for costs incurred, operations and maintenance - contractors expense decreased by $502,000 for regulatory provision, amortization of deferred charges decreased by $1,584,000 and net movement in regulatory deferral account balances related to net income increased by $2,074,000 for fiscal 2014. For the statement of cash flows for the year ended December 31, 2014 the additions to deferred charges and intangible assets decreased by $4,131,000, $516,000 was allocated to intangible assets and $3,615,000 was allocated to cash paid to suppliers.

28. Explanation of transition to IFRS - continued

b) Regulatory deferral accounts - continued

Contributions in aid of construction
As at December 31, 2014, contributions in aid of construction decreased and regulatory deferral account credit balances increased by $5,474,000 (January 1, 2014 - $5,724,000) related to the deferred insurance proceeds. In addition, amortization of property, plant and equipment and net movement in regulatory deferral account balances related to net income increased by $249,000 for fiscal 2014.

Future removal and site restoration costs
As at December 31, 2014, future removal and site restoration costs decreased and regulatory deferral account credit balances increased by $4,671,000 (January 1, 2014 - $4,671,000).

Regulatory hearing reserve
As at December 31, 2014, regulatory hearing reserve decreased and regulatory deferral account credit balances increased by $224,000 (January 1, 2014 - $106,000). In addition, operations and maintenance - regulatory account expenses increased by $432,000 for costs incurred, amortization of deferred charges decreased by $550,000, and net movement in regulatory deferral account balances related to net income decreased by $118,000 for fiscal 2014.

Diesel contingency fund
As at December 31, 2014, diesel contingency fund decreased and regulatory deferral account credit balances increased by $9,627,000 (January 1, 2014 - $8,198,000). In addition, sales of power increased and net movement in regulatory deferral account balances related to net income decreased by $1,429,000 related to cash received in fiscal 2014.

c) Amortization of contributions in aid of construction

Under previous GAAP, amortization of contributions from customers and the Government of Canada were netted on the statement of operations and other comprehensive income against amortization of property, plant and equipment. Under IFRS, amortization of contributions in aid of construction is to be presented as revenue and cannot be netted against amortization of property, plant and equipment. As a result, an adjustment has been made to increase revenues for amortization of contributions in aid of construction and increase the expense for amortization of property, plant and equipment by $2,066,000 in the year ended December 31, 2014.

d) Intangible assets

Under previous GAAP, certain mainframe and other software costs were included in property, plant and equipment. Under IFRS, software costs are included in intangible assets. As a result, at December 31, 2014, property, plant and equipment decreased and intangible assets increased by $2,206,000 (January 1, 2014 - $2,525,000). For the year ended December 31, 2014, the amortization of property, plant and equipment decreased and amortization of intangible assets increased by $346,000. For the statement of cash flows for the year ended December 31, 2014, cash paid for additions to property, plant and equipment decreased and the cash paid for additions to intangible assets increased by $27,000. There were no adjustments to the amortization periods.

28. Explanation of transition to IFRS - continued

Under previous GAAP, deferred customer service costs and licencing costs were included in deferred charges and intangible assets. Under IFRS, the deferred customer service costs and licencing costs are presented only as intangible assets. As a result, at December 31, 2014, deferred charges and intangible assets decreased and intangible assets increased by $5,042,000 (January 1, 2014 - $5,158,000). For the year ended December 31, 2014, the amortization of deferred charges decreased and amortization of intangible assets increased by $64,000 related to the amortization of the deferred customer service costs.

As noted in b) for the statement of cash flows for the year ended December 31, 2014 the cash paid for additions to intangible assets increased by $516,000. Total cash paid for additions to intangible assets is $543,000.

e) Finance lease receivables

Under previous GAAP, lease arrangements were presented as direct financing leases. As discussed under IFRS 1 elections above, the Corporation has elected apply the exemption to assess all arrangements for leases at the date of transition rather than the inception of the arrangements. Under IAS 17, at the date of transition, the lease arrangement meets the definition of a finance lease receivable. As a result, direct financing leases were reclassified to finance lease receivables. The impact of this change as at January 1, 2014 and as at December 31, 2014 was to increase finance lease receivables and decrease direct financing leases by $162,000.

f) Deferred overhauls

Under previous GAAP, the Utility deferred all overhaul costs incurred after 2011 within construction work-in-progress as part of property, plant and equipment. As a result, AFUDC continued to be applied to these deferred overhauls and depreciation was not taken. Under IFRS, the deferred overhauls are to be included in property, plant and equipment and depreciated through net income when the overhaul is available for use. AFUDC would cease when the overhaul is substantially ready for its intended purpose. As a result, at December 31, 2014, regulatory deferral account debit balances increased and property, plant and equipment decreased by $943,000 (January 1, 2014 - $259,000). For the year ended December 31, 2014, operations and maintenance - regulatory account expenses and net movement in regulatory deferral account balances related to net income increased by $684,000 related to depreciation and AFUDC incurred during the year.

g) Presentation of expenses

IFRS states that expenses shall be classified on the statement of operations and other comprehensive income by either nature or function. Under previous GAAP, the Corporation presented costs and expenses in a combination of both nature and function. The Corporation has elected to present costs and expenses on the statement of operations and other comprehensive income by function and to disclose the expenses by nature in the notes to the financial statements.

28. Explanation of transition to IFRS - continued

The reconciliation of the operations and maintenance and administration notes from previous GAAP to IFRS is as follows:

Operations and maintenance expenses

	Notes	Previous GAAP	Effect of Transition to IFRS	Effect of Reclass	IFRS
Wages and benefits	(a)	$ 5,626	$ 13	$ -	$ 5,639
Maintenance					
- lines and substations		1,345	-	(1,345)	-
- hydro, diesel and wind		1,596	-	(1,596)	-
- building and vehicles		1,102	-	(1,102)	-
Fuel		227	-	-	227
Water level measurement		160	-	(160)	-
Regulatory account expense	(b,e)	-	5,618	-	5,618
Contractors	(b)	-	(502)	2,052	1,550
Materials and consumables		-	-	1,409	1,409
Travel		-	-	458	458
Rent		-	-	238	238
Communication		-	-	46	46
		$ 10,056	**$ 5,129**	**$ -**	**$ 15,185**

Administration expenses

	Previous GAAP	Effect of Reclass	IFRS
Wages and benefits	$ 6,004	$ -	$ 6,004
General office	1,645	(1,645)	-
Insurance and taxes	1,360	-	1,360
Information systems	736	(736)	-
Environmental	528	(528)	-
Programs	464	(464)	-
Training, recruitment and development	348	(348)	-
Board of Directors	322	(322)	-
Regulatory loss	120	(120)	-
Material management and contracting	62	(62)	-
External labour	-	1,849	1,849
Materials, consumables and general	-	1,373	1,373
Licences and fees	-	581	581
Travel	-	232	232
Board fees	-	190	190
	$ 11,589	**$ -**	**$ 11,589**

28. Explanation of transition to IFRS - continued

h) Statement of Cash Flows

Cash receipts from customers decreased by $5,699,000 for an allocation of $5,844,000 to cash receipts from YG net of $145,000 allocation to contributions in aid of construction.

Under previous GAAP, the cash paid to employees and suppliers are combined. Under IFRS, the cash paid to employees and suppliers are disclosed separately. As a result, the cash paid to employees and suppliers decreased by $23,202,000, cash paid to employees increased by $11,076,000 and cash paid to suppliers increased by $15,766,000.

Under previous GAAP, the cash contributions in aid of construction received during the year were presented as a financing activity. However, under IFRS, these contributions do not meet the definition of a financing activity and have been presented as an operating activity. As a result, contributions in aid of construction decreased and cash receipts from contributions in aid of construction increased by $721,000.

YDC Board

Left to right
Edmund Schultz, JoAnne Harach, Collin Young, John Wierda, Dan Reams,
William LeBarge, Joanne Fairlie and Michael Lauer. Absent Jacqueline Bazett.

YUKON DEVELOPMENT
CORPORATION